

# ***Government That Works!***

NEW JERSEY DEPARTMENT OF THE TREASURY

**LOCAL GOVERNMENT BUDGET REVIEW**

**CITY OF SALEM**

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*Governor*

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*State Treasurer*

**JULY, 2000**



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the City of Salem***

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the state had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

## **THE REVIEW PROCESS**

In order for a town, county, school district or authority to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of each review, team members interview each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examine current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relative information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received the full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness on the part of most to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
CITY OF SALEM**

**Cash Management**

Pursuing alternative means of enhancing interest earnings could net the city approximately \$3,973.

**Court**

The city could gain a productivity enhancement of approximately \$1,512 for every special officer assigned to provide court security rather than an uniformed officer.

There could be several benefits of adding two evening sessions to the court schedule including savings of approximately \$8,498 in court overtime for police officers. The additional sessions would however necessitate the hiring of a second judge for an estimated \$5,890 and a full-time violations clerk at a cost of approximately \$15,015.

The city could collect an additional estimated \$125,339 should it successfully apply to participate in the Comprehensive Enforcement Program (CEP).

**Emergency Medical Services**

By billing patients for emergency medical services, the city could generate \$112,700 in revenues.

**Fire Services**

Eliminating an annual appropriation for undocumented miscellaneous expenses could save the city \$6,900 annually.

Closing two of the four fire stations would save the city approximately \$53,094 in operating expenses and \$58,500 in avoided building repairs, while gaining a revenue enhancement of \$13,000 from the sale of two pieces of fire equipment, and an additional \$5,776 in operating expense.

Disbanding of the marine unit within the fire department would save insurance costs of \$1,480 and could net the city approximately \$1,000 for the sale of the boats.

**Inspections and Permits**

Returning the staffing complement to one full-time inspector could save \$29,607.

Increasing the rental registration fee to \$40 would generate an additional \$28,647, which should be sufficient to cover the cost of the registration and inspection program.

Eliminating the ½ staff position used for processing UCC applications and permits would save \$13,457 and gain a productivity enhancement of \$8,984 for a total savings of \$22,441, as existing staff assume the responsibility.

Increasing the UCC fees to cover the cost of the operation would generate approximately \$4,500 in additional fees.

### **Insurance**

Updating the asset inventory would cost about \$6,000.

Adopting the state standards regarding salaries under workers' compensation claims would save roughly \$1,373.

By the city council voluntarily opting not to receive health benefits, the city could save up to \$43,044.

Negotiating to require employees to pay a 20% surcharge on all coverage other than single would produce a savings of \$30,871.

Implementation of a waiver in lieu of insurance could net savings of at least \$8,737.

Ceasing to pay health benefits for retirees who by contract are no longer eligible to be carried under the city's insurance policies would save roughly \$11,822.

### **Legal Services**

Reducing reliance on city attorney by only 15% can save the city \$15,750.

### **Personnel and Human Resource Management**

Combining the responsibilities of an administrator to that of the city clerk would cost approximately \$6,000.

### **Police Department**

Reassigning the lieutenant position to the evening shift and promoting a sergeant would cost approximately \$4,000.

Creating the position of captain has a potential cost of \$3,000.

Implementing the proposed table of organization could potentially produce a 25% reduction in general overtime, or \$17,500.

Entering into an interlocal service agreement with one or two neighboring municipalities for Salem police to provide police protection could generate a revenue enhancement of \$30,000, or the approximate cost of one officer's salary.

Implementation of a false alarm ordinance could generate \$6,250 in revenues.

Having the county 9-1-1 center provide police dispatching services for the city could save the cost of four dispatchers, or \$156,705.

Negotiating a uniform replacement policy similar to the New Jersey State Police could produce a saving of \$8,921.

Requiring employees to reimburse the city for personal phone calls has the potential of saving the city approximately \$2,400 for just the police department. Appropriate connection of six phone lines would save an additional \$2,600.

Successful application for Body Armor Replacement Program funds could net the city \$2,000 annually, or the approximate cost of replacing four vests per year.

### **Planning and Zoning**

Combining the planning and zoning boards could potentially save \$4,140 in attorney fees and staff costs.

### **Public Library**

Transferring the library functions to the county or closing the library and allocating the materials to the school district could save approximately \$42,500 plus the \$160,000 the city would have needed to obligate as matching funds to the Historic Trust Fund grant.

### **Public Works**

Purchasing a fleet maintenance system and equipment would cost an estimated \$4,500.

Adding one mechanic position to the vehicle maintenance function could lead to a reduction in overtime of \$8,675.

Maintaining 13 of the school district's vehicles would cause a revenue enhancement of \$5,688.

No longer street sweeping the county and state roadways would save the city \$7,360 and provide a productivity enhancement of \$19,244. Changing the schedule to meet actual need and having a contractor provide the service would save an additional \$38,468.

Having city staff provide the trash collection service could potentially save \$20,793.

Increasing the cost of the trash stickers to \$2 would generate an additional \$94,708 and nearly cover the cost of collection.

Closing the convenience center would save a minimum of \$11,700.

Eliminating reliance on surface water would save \$90,747.

### **Recreation**

Clearly marking the entrance and lighting the pool area to enhance safety and avoid the potential of vandalism could cost approximately \$1,000.

Entering into a leasing agreement with a private vendor to operate the pool facility would save approximately \$29,980.

Transferring the city's football stadium to the school district would create a productivity enhancement of \$1,125.

### **Tax Assessment**

The cost of purchasing tax assessment software that is compatible with other software in the city would cost approximately \$10,000.

### **Tax Collections**

An increase in tax collections from 90.92% to 95% would generate \$93,236 in additional revenues.

### **Transportation**

Requiring that staff reimburse the city for the cost of personal telephone calls is estimated to save the city \$140 for just the transportation staff.

By including all related costs in the monthly reimbursement report submitted to the county, the city could receive an additional \$24,355 to fully cover the cost of the operation.

### **Collective Bargaining Issues**

There are several cost saving opportunities which would require bargaining unit negotiations. Elimination of the longevity provision could save \$67,729.

Renegotiating the bereavement and personal day allowances could save the city \$1,354.

Elimination of the telephone allowance could save \$2,706 based on 1997 payments.

Re-negotiation of the uniform cleaning allowance could save approximately 2,447.

Elimination of the shift differentials could save an additional \$52,505.

<b><u>Areas Involving Monetary Savings</u></b>	<b>One-time Savings/</b>	<b>Annual Savings/</b>	<b>*Potential</b>	
	<b><u>Expense</u></b>	<b><u>Expense</u></b>	<b><u>Savings</u></b>	<b><u>Totals</u></b>
<b>Cash Management</b>				
Manage cash more proactively		\$3,973		<b>\$3,973</b>
<b>Court</b>				
Utilize special officers for security		\$1,512		
Add evening sessions		\$8,498		
Additional costs for second judge		(\$5,890)		
Additional costs for full-time personnel		(\$15,015)		
Increase in collections		\$125,339		<b>\$114,444</b>
<b>Emergency Services</b>				
Bill for services		\$112,700		<b>\$112,700</b>
<b>Fire Services</b>				
Discontinue funds for miscellaneous expenses		\$6,900		
Close two fire stations	\$58,500	\$53,094		
Divest of unnecessary equipment	\$13,000	\$5,776		
Disband water rescue unit		\$1,480		
Sale of boats	\$1,000			<b>\$139,750</b>
<b>Inspections and Permits</b>				
Eliminate one full-time position		\$29,607		
Increase rental registration fee to cover cost		\$28,647		



Eliminate one half-time position		\$22,441	
Increase UCC fees to cover cost		\$4,500	
			<b>\$85,195</b>
<b>Insurance</b>			
Update asset inventory	(\$6,000)		
Adopt state standard for workers comp payments		\$1,373	
Discontinue health coverage for part-time employees		\$43,044	
Have employees pay upcharge on insurance plans		\$30,871	
Implement waiver in lieu of health coverage		\$8,737	
Abide by contracts		\$11,822	
			<b>\$5,822</b>
<b>Legal Services</b>			
Reduce reliance on city solicitor		\$15,750	
			<b>\$15,750</b>
<b>Personnel and Human Resource Management</b>			
Create a clerk/administrator position		(\$6,000)	
			<b>(\$6,000)</b>
<b>Police Department</b>			
Promote sergeant to lieutenant		(\$4,000)	
Add captain position		(\$3,000)	
Reduce general overtime		\$17,500	
Solicit interlocal agreement for police services		\$30,000	
Enact false alarm ordinance		\$6,250	
Utilize county 911 operation		\$156,705	

Adopt NJSP uniform replacement policy			\$8,921	
Require employees reimburse for personal calls		\$2,400		
Properly route phone lines		\$2,600		
Apply for Body Armor Replacement funds		\$2,000		
				<b>\$210,455</b>
<b>Planning and Zoning</b>				
Combine planning and zoning boards		\$4,140		
				<b>\$4,140</b>
<b>Public Library</b>				
Negotiate for county to provide library services		\$42,500		
Avoid accepting obligating grant	\$160,000			
				<b>\$202,500</b>
<b>Public Works</b>				
Purchase fleet maintenance system	(\$4,500)			
Reduce overtime		\$8,675		
Maintain school district vehicles		\$5,688		
Discontinue sweeping county and state roads		\$26,604		
Change schedule to meet need		\$38,468		
Provide trash collection in-house		\$20,793		
Increase trash sticker cost		\$94,708		
Close convenience center		\$11,700		
Eliminate reliance on surface water		\$90,747		
				<b>\$292,883</b>
<b>Recreation</b>				
Clearly mark entrance to pool	(\$1,000)			

facility				
Lease the pool facility		\$29,980		
Transfer football facility to school district		\$1,125		
				<b>\$30,105</b>
<b>Tax Assessment</b>				
Upgrade software package	(\$10,000)			<b>(\$10,000)</b>
<b>Tax Collection</b>				
Increase collections to 95%		\$93,236		<b>\$93,236</b>
<b>Transportation</b>				
Require employees reimburse for personal calls		\$140		
Request funds sufficient to cover costs		\$24,355		
				<b>\$24,495</b>
<b>Collective Bargaining Issues</b>				
Eliminate longevity			\$67,729	
Renegotiate bereavement and personal days			\$1,354	
Eliminate telephone allowance			\$2,706	
Renegotiate uniform allowance			\$2,447	
Eliminate shift differentials			\$52,505	
<b>Total Recommended Savings</b>	<b>\$211,000</b>	<b>\$1,108,448</b>	<b>\$219,687</b>	<b>\$1,319,448</b>

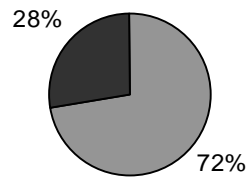
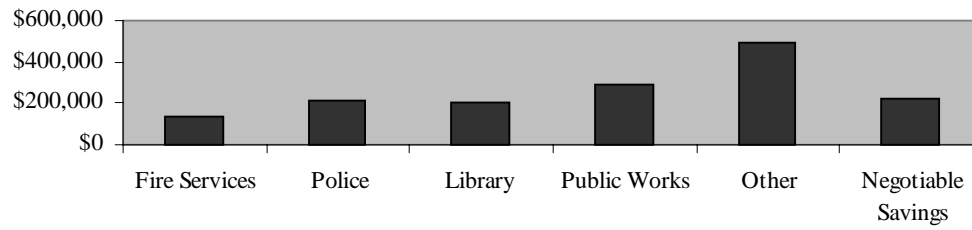
\*\$219,687 not included in savings of \$1,319,448.

<b>Total Amount Raised for Local Purpose Tax (1998)</b>	<b>\$1,332,182</b>
<b>Savings as a % of Local Purpose Tax</b>	<b>99%</b>
<b>Total Budget (1998)</b>	<b>\$4,732,628</b>
<b>Savings as a % of Budget</b>	<b>28%</b>
<b>Total State Aid (1998)</b>	<b>\$2,052,087</b>
<b>Savings as a % of State Aid</b>	<b>64%</b>





**Potential for Savings**



■ Budget After Savings  
■ Savings





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## COMMUNITY OVERVIEW

Salem City is a community of approximately 6,883 residents and encompasses about 2.6 square miles. In 1858, the combined houses of the New Jersey Legislature passed a legislative charter establishing Salem's status as a city, although the origins of Salem as a community can be traced back at least as early as 1675. The City of Salem is one of only a handful of municipalities in New Jersey that are organized based upon special charters granted specifically to them by the Legislature. The city's form of government is a mayor and eight-member council who serve four year staggered terms.

**The city serves as the county seat of Salem County, most of which remains an active agricultural region. As host, the city is home to many county facilities. While being the county seat generates employment opportunities and commerce, the city must provide substantial services to the county government, its employees and visitors. Because the county properties enjoy tax exempt status, the city must provide those services without the benefit of funds from the county.**

Salem City is part of the New Jersey Senate and Assembly 3<sup>rd</sup> District. The 3<sup>rd</sup> district, which covers Salem and parts of Cumberland and Gloucester Counties, is the state's second largest in land area, has the lowest density, and residential property values are the second lowest in the state. County taxes are the fifth highest in the state, but low school and municipal property tax rates and substantial homestead rebates bring the overall rate down below the state average. The city's equalized municipal purpose tax rate, which was \$.93 in 1996, exceeded the legislative district's average rate of \$.35 by 166%.

Located in the southwestern quadrant of the state, the city is bordered by the Delaware River to the west. Route 49, an east-west state highway that leads directly to the Delaware Memorial Bridge, intersects Route 45, another state highway, in Salem. These highways provide reasonably good access to the city, although both are single lane roadways. The New Jersey Turnpike and Route 295 are also within eight miles of Salem. The combination of Route 295, the Turnpike and the Delaware Memorial Bridge are part of the primary north-south travel corridor on the east coast.

Salem has experienced a decrease in overall population since 1970 of approximately 10.5%. According to the 1990 census, its racial composition is approximately 51% black, 46% white, .4% American Indian, .3% Asian/Pacific Islander, and 3.6% Hispanic. Twenty-five percent of the population are high school graduates and 4.8% have completed college or beyond. Regrettably, the area has one of the highest unemployment rates in the state.

In general, the review team received the full cooperation and assistance of all employees and elected officials.

## **I. BEST PRACTICES**

A very important part of each Local Government Budget Review report is the Best Practices section. During the course of every review, each team identifies procedures, programs and practices that are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, other municipalities and school districts can benefit from the Local Government Budget Review process and, possibly, save consider expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for their cost and/or service delivery effectiveness.

### **Professional Management**

The team noted an exceptional willingness on the part of the management of the city to find ways to improve efficiencies. During the course of the review, senior management and city council had many open discussions with the team regarding issues that arose in the course of interviews and research. One example was the city council's recognition that the library board of trustees has no statutory authority to incur debt or commit the city to future payments. A second example included a disciplinary action taken against a staff member.

In addition, the city underwent a similar type of review in 1989. The team noted that several recommendations in that report have been subsequently implemented, such as making the city clerk a full-time position.

### **Library Budget**

The library is to be commended for the method by which it tracks all revenues and expenditures. The library director was able to give a precise accounting of all funds received and how they were spent. The result was a budget that could be used as an effective management tool.

### **Trash Stickers**

As discussed in the public works section of this report the city contracts with a private vendor for curbside trash collection. In order for refuse to be picked up by the hauler, it had to have a sticker affixed in a clearly visible location. It was the team's observation that the bags of trash were put on the curb with the stickers clearly affixed. In addition to serving as a true user fee, the stickers also provided an accurate way for the city to track revenues intended to cover the cost of trash collection.

**Soil Conservation**

Up until several years ago, the city operated its own landfill. After the facility was closed, the city contracted with a conservation group which is “working” the property so that it may one day be turned back into usable land at no cost to the municipality.

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS & RECOMMENDATIONS**

The purpose of this section of the report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings or enhancements for the municipality and its taxpayers.

During the review the team found the municipality makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Many of these are identified in the best practices section of this report. Others will be noted as appropriate in the findings to follow. The municipality is to be commended for its efforts. The review team did find areas where additional savings could be realized and has made recommendations for change that will result in reduced costs, increased revenue and greater operational efficiencies.

Where possible, dollar value has been assigned to each recommendation to provide a measure of importance and to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in overall operating costs resulting from improvements in budgeting, cash management, cost control and revenue enhancement. This could very well result in a reduction in local purpose property tax rates assuming all other factors would remain static.

### **CASH MANAGEMENT**

#### **Functions**

The CFO/treasurer and his staff, which consists of four full-time principal accounting clerks and one accounting clerk, handle the business functions for the city. Collectively, the CFO/treasurer and his staff manage the following processes: finance and budget, tax collection, water/sewer billing and collection, accounts receivable, accounts payable, and certain aspects of purchasing. As discussed under the tax assessment and insurance sections of this report, one of the staff members spends approximately two-thirds of her time on functions other than finance operations.

The CFO/treasurer was hired five years ago and promoted to treasurer in September, 1995 after the former CFO retired. He received his certification as a municipal finance officer in December, 1995, and subsequently received the title and full responsibilities of that position.

In addition to serving as the CFO and treasurer, he is also water/sewer finance officer and tax collector. He does not receive additional compensation for these positions, although his 1997 base salary was the highest paid by the municipality.

Among his responsibilities, the CFO/treasurer is responsible for the cash management functions and bank reconciliation for the general and money market accounts. A clerk typist prepares the other cash reconciliations, but the finance officer ultimately reviews and approves the statements and reconciliations. It is important to note that the CFO/treasurer along with the mayor signs all checks.

### **Recommendation:**

**Because the CFO/treasurer is essentially reconciling his own work, the LGBR team recommends that the CFO/treasurer assign all reconciliation responsibilities to a staff member who has no authority to sign checks and/or approve purchase orders.**

### **General Operating Accounts**

The city maintains nine cash accounts: 1) capital improvement; 2) dog license; 3) general fund; 4) master payroll (agency); 5) money market; 6) net payroll; 7) special account (health benefits); 8) water and sewer capital; and 9) water and sewer operating.

A staff member, escorted by a police officer, takes daily cash receipts to the bank each business day before 4:00 p.m. All deposits and interest earned are applied to the money market account, with the exception of the water/sewer capital and water/sewer operating accounts. Those accounts are maintained separately.

Paychecks are issued twice monthly and are processed by staff of the office, although they are actually issued by a vendor. The twice-monthly payroll deposit is made on the day immediately prior to the check issue date.

Checks are never disbursed from the money market account, although transfers are made as needed. This account was originally established as a practical means of controlling the cash inflows and outflows, while earning a higher rate of interest than regular checking accounts. Since this is no longer the case, the money market account will be closed at year-end and the funds will be transferred to their respective accounts.

### **Banking Relationship, Services and Products**

The city has maintained its funds with a large community bank for several years. The bank branch manager is the primary contact although the government-banking representative is contacted on matters that cannot be handled at the branch level. The city's long-standing relationship with its banking partner is the result of favorable customer service and convenience. Generally, the municipality is pleased with the service and does not deal with any other bank or investment firm. The city relies on its long-term relationship with the bank and does not have a written agreement outlining expected services and related fees.

Being small and community-based, the bank relies on deposits rather than service fees to generate revenue. The bank provides the checks for all of the cash accounts listed above except the net payroll, general fund and capital improvement.

The city's bank pays a payroll service company approximately \$7,200 a year to provide the city with payroll processing services. The bank debits the cost of this service from the city's compensating balances. This service fee includes preparation of the routine pre- and post-payroll reports as well as the standard quarterly and year-end tax reports. The team found that the payroll service costs are in line with, and even lower than the costs charged by other providers.

### **Recommendation:**

**The city should regularly review the cost of outsourcing payroll services to insure that the city is receiving a competitive price for the services provided. The city should, in consultation with appropriate counsel, ensure that it is in compliance with an opinion issued to the Division of Local Government Services by the Department of Law and Public Safety dated March 21, 1995. This opinion is being provided to the city under separate cover by LGBR.**

In October, 1998, the bank installed an online banking service that provided for controlled disbursements and account reconciliation. These are the only automated banking services the city employs. By definition, controlled disbursements is "a bank service that provides same-day notification (usually by early or mid-morning) of the amount of checks that will clear against the corporate disbursement account that day." Account reconciliation by definition is "a service that provides the corporate user with a list of checks cleared or still outstanding."

There has not been a need for widespread use of electronic fund transfers but the CFO/treasurer anticipates a greater utilization in the future through the present online banking system. The city's only electronic fund transfers are state aid and proceeds from certain, generally larger, tax sales.

### **Recommendation:**



**The LGBR team suggests that the CFO/treasurer formally meet with the government banking representative and the branch manager at least once a year to review the city’s banking needs in conjunction with the city’s business plan. Such a meeting provides an opportunity for the city and bank representatives to discuss the needs of the city and to see if the city could take advantage of additional services.**

**A written agreement establishing the city’s expectations of the banking services, rates and associated fees should be executed and reviewed each year, beginning immediately.**

### **Competitive Bidding**

Soliciting quotes enables the entity to monitor its current level of banking services in comparison to its organizational needs. This presents an opportunity for change and keeps the organization abreast of the banking services and products in the marketplace.

A request for banking services and associated costs was solicited two years ago from three local banks, but there were no favorable responses. The CFO/treasurer noted that he intends to continue soliciting quotes for banking services every two years.

The extent of the information provided in the bank’s responses would depend on the nature and scope of the request. The request can be a brief summary or a detailed report, from a Request for Information (RFI), a Request of Quotation (RFQ), to a Request for Proposal (RFP).

### **Recommendation:**

**The LGBR team supports the CFO/treasurer’s intention to solicit service and price quotes from neighboring banks every two years, in order to make a fair and educated comparison of services and related costs.**

### **Cash Management Plan**

The city adopted Resolution 98-4 on January 1, 1998, in accordance with N.J.S.A. 40A:5-14, (Local Fiscal Affairs Law), which designates a bank as its depository for the municipality’s funds. The resolution also contains an Appendix titled “Permissible Investments and Deposits for New Jersey Counties, Municipalities, Authorities, and School Districts” that describes the terms and conditions that bind a local government to specific banking practices.

Typically, a cash management plan specifies the following: a) designated official depositories; b) scheduled deposit of funds; c) definition of allowable investment instruments; d) definition of acceptable collateral and protection of borough assets; e)

compensating balance agreements; f) reporting procedures; g) diversification requirements; h) maximum maturity policy; i) investment procedures; j) return on investment policy; k) internal controls; l) bonding coverage; and m) compliance issues. The city's resolution was lacking many of these details.

**Recommendation:**

**The LGBR team suggests the city adopt a cash management plan that is more descriptive than the one presently being used. A sample document was provided to the CFO/treasurer for his reference.**

**Account Analysis Process**

The bank provides separate monthly statements for each account free of charge. Interest is computed daily by account, and the aggregate earnings are subsequently applied to the money market account at the end of the month.

This differs from an account analysis arrangement, whereby overnight investing is done against the aggregate daily account balances. Thus, interest is computed against a larger pool of funds, which ultimately will garner higher earnings. The bank provides a monthly account

analysis statement, which illustrates balance summaries and a detail of the services and associated fees. The service charges are automatically subtracted from the account balance, which is commonly referred to as a debit against the compensating balance.

Under an account analysis, a competitive and higher net interest rate is earned since it is paid against a larger aggregated account balance, as opposed to computing interest against smaller individual account balances. The client benefits from the account analysis in many ways, some of which are: a) a competitive rate indexed to the 91-Day T-Bill is earned on the net available balance; b) monthly service charges are debited against the compensating balances instead of having to pay for them in hard-dollars; c) cash balances can be adjusted easily to accommodate the service fee debits; and d) comprehensive and timely monthly statements that describe the individual type services and related costs.

This process allows the entity to determine if account balances are in line with the city's cash needs. Hence, adjustments can be made immediately and cash flows can be updated accordingly. Likewise, the account analysis statement is the only announcement that provides a description of the service fee charges.

### **Recommendation:**

**The LGBR team suggests that the city ask its banking partner if the cash accounts can be arranged under an account analysis. While additional earnings cannot be accurately predicted, the team believes the potential increased earnings along with the administrative enhancements described above, make the account analysis option very attractive.**

### **Interest Earnings**

The city maintained aggregate account balances June, 1997 through May, 1998 ranging from \$2,605,191 to \$4,282,484, which illustrates a fairly consistent pattern. The interest earnings were \$174,269, with rates ranging from 5.05% to 5.32%. The average monthly balance calculated by adding the balances for all accounts each month for a twelve month total and dividing by twelve, was \$3,429,398.

According to the CFO/treasurer, the city does not invest in Treasury Bills (T-Bills) or the New Jersey Cash Management Fund (NJCMF), but would consider these as optional investment vehicles.

We compared the actual interest paid by the community bank, to the estimated potential earnings from the NJCMF and the 91-Day T-Bill. To make the comparison as accurate as possible, the team calculated the balance that had interest applied to it using the actual interest earnings and interest rate per month. We use the following illustrations to demonstrate the results of our findings:

	<b>Bottom Interest Rate</b>	<b>Top Interest Rate</b>	<b>Net Potential Earnings</b>	<b>Additional Potential Earnings</b>
1997 Vehicle	5.05%	5.32%	\$174,269	N/A
NJCMF	5.29%	5.52%	\$178,242	\$3,973
T-Bill	4.92%	5.16%	\$167,042	(\$7,227)

It appears, based on the team's calculations, that while the current investment strategy is an aggressive one, the city could benefit from pursuing alternative investment vehicles.

#### **Recommendation:**

**The LGBR team suggests that the city explore alternate means of enhancing interest earnings. Our analysis illustrates additional net potential earnings of \$3,973 should the city invest funds in the NJCFM or other comparable investment vehicles.**

**Revenue Enhancement: \$3,973**

**In addition, the city continually had an aggregate account balance of at least \$2.6 million during the period of June, 1997 through May, 1998. Therefore, it appears that the city did not need those funds to meet operating expenses. The LGBR team encourages the city to continue to routinely review its cash needs to determine if longer-term investments could be initiated.**

#### **Cash Flow**

The CFO/treasurer reported that he monitors daily cash flow and account balances. Although there is no formal and mechanized cash flow analysis, the city monitors and controls its flow of funds to avoid over-expenditures and negative account balances.

The cash accounts are carefully scrutinized during the month to ensure that excess balances, also known as idle funds, do not occur. Only active and necessary accounts remain open, to minimize the administrative overhead of maintaining these accounts.

#### **Recommendation:**

**The LGBR team suggests the CFO/treasurer prepare, at a minimum, a long-term cash flow projection prior to the drafting of the budget. Cash flow projections are an easy and effective means of monitoring and controlling revenues and expenditures. They provide a meaningful mechanism by which the entity can decide how much it can invest and under what terms, hence,**

**more opportunity to enhance its earning power. The long-term projection can also be used to develop a short-term version, which would typically include a more detailed accounting of revenues and expenditures.**

In discussions with the team, the CFO/treasurer expressed an interest in developing a cash flow projection.

**Investment Instruments**

The city has one 30-day Certificate of Deposit (CD) with Sun National Bank for Water and Sewer Capital projects. The account was opened in May, 1997, with an initial deposit of \$2,000,000. It was done like this for the ease of application and guaranteed rate of return. During June, 1997 through May, 1998, the rates ranged from 5.20% to 5.65%, with interest earnings of \$108,958. The CFO/treasurer indicated that consideration is being given to moving these funds to a T-Bill and/or a longer term CD, and/or the NJCMF.

**Process Enhancements**

According to the CFO/treasurer, he has been reviewing long-standing processes and has been making refinements as appropriate. Among the modifications implemented, in 1996, the tax sale was moved ahead to June as opposed to the end of the year. This was done to ease the financial burden on the city while waiting for the state aid. It has assisted in managing funds and the year-end workload.

The city also adopted a formal schedule for forwarding school tax payments to the school district administration. The schedule has helped to ensure a timely and consistent payment pattern as well as aided with the cash management decisions.

**The team commends the city for exploring ways to improve the city's budgetary process and financial position.**

**COURT**

While the team recognizes the separate authority and responsibility of the judicial branch of government, we have made the following comments and recommendations in an effort to provide the city with information on current and potential operations, procedures and programs available to the court. Recommendations are made with the knowledge that appropriate judicial personnel will require further review and approval.

As a result of information that in part came to light during the course of annual financial compliance audits, there were significant changes in the municipal court during the review year. City staff has been working closely with staff of the State Administrative Office of the Courts (AOC) to improve operations in the municipal court administrative office. Because of the evolving court administrative function, the team has respected the suggestion of the AOC to confine the review of the court to facility aspects and general observations.

**Staffing/Organization**

The current staff of the municipal court, which consists of the court administrator and one deputy administrator, occupies a small room in the first floor of the police/court building. There was also a summer worker who assisted customers. There is a window in the enclosed vestibule for the public to make payments and ask questions.

The administrator indicated there are no immediate plans to hire additional staff and that the current priority is to purchase equipment to make the workflow more efficient. A fax machine and postage machine tops the list of requested equipment.

The current judge was appointed by resolution of the city council following the retirement of the previous judge in March of 1998. His term will expire in December, 1999.

Court sessions are generally held only three times a month, on Mondays, beginning at 9:00 a.m. The judge determines on which Mondays there will be sessions. There are no evening sessions and there have not been evening sessions anytime in the verifiable past.

Court sessions are held in a separate building from the staff offices in the “old” county courthouse located at the corner of Broadway and Market. The courtroom is generally well maintained and appears to be rich in history. The room was very crowded during sessions and it seemed there were usually several people lingering outside of the courthouse waiting for their case to go before the judge.

There is no payment window available at the courtroom facility. Defendants are taken into another room by a police officer to pay the fees and fines imposed by the judge. The police officer also brings the paperwork from the judge to the staff member taking payments.

The administrator estimated there were about 700 cases backlogged when she became administrator and they are working through those cases as fast as possible. She further noted some of the dockets have been very large because of the amount of “catch up” needed, but not all sessions are overcrowded. She expects it will take about one more year for all outstanding cases to be resolved.

According to the chief of police, security is provided exclusively by uniformed police officers assigned the Monday dayshift. The number of police officers providing security in the courtroom varies, usually between two and three officers at one time. It appears court security is part of the regular duty of the dayshift officers. Also, according to the chief, most of his Monday dayshift is involved in providing security for court and are therefore not patrolling the city or performing primary public safety functions. Logic would therefore dictate that this practice leaves the community in a precarious position.

**Recommendation:**

**The team recognizes that provision of security at court sessions is not a judicial matter, rather it is a public safety matter. However, the team believes that the current practice of having security provided solely by uniformed officers is a costly one that could be better handled through other alternatives. As discussed under the police section of this report, the city would gain a productivity enhancement of approximately \$10.50 for every hour a police aide, or class one or two officer, provides court security. Assuming three, four-hour sessions per month, the city would gain a productivity enhancement of \$1,512 over a twelve-month period for each replacement of a uniformed officer with a special officer. Additionally, the overtime that is incurred by having the uniformed officers in the courtroom would also be significantly reduced and the uniformed officers would then be available to patrol the city and protect the public, which is their primary**



**function. The increase in protection of the public cannot be quantified, but could be assumed to be a very substantial cost avoidance if the city were to be held liable for lack of proper police protection.**

**Productivity Enhancement: \$1,512**

Officers who attend court for cases, other than dayshift officers, are paid court time that is 1.5 times their regular salary. During 1997, there were 629.5 hours of court time paid. Based on the average hourly salary of \$18, that equates to approximately \$16,997 paid in court required overtime.

The city is currently rehabilitating the inside of city hall with funds from a second historic preservation grant and the required local matching funds. A significant portion of that renovation includes an area to be used as the council chamber. While the city administration had considered relocating court sessions to the chamber area, AOC staff has indicated that any change would need to be approved by the assignment judge after review of the building plans. City staff has also explored the possibility of holding court sessions in the county facility currently being utilized by the county court system. However, that option was not pursued because of the belief that the city sessions would have to be held in the evenings since the facilities are used during the day by the superior court.

#### **Recommendations:**

**As noted, the current courtroom is often overcrowded and sessions sometimes run well into the afternoon, particularly during sessions when court was not held for one or two weeks. The judge, in consultation with the AOC, may want to explore the necessity of additional court sessions, particularly evening sessions.**

**The addition of evening sessions could address many issues. First, it would provide an opportunity for defendants to go before the judge at night, thereby potentially reducing the hardship of having to take time off of work for a court appearance. Second, the additional sessions would provide an opportunity to shorten the day court session dockets, therefore helping to ease the overcrowding in the courtroom. The team recognizes that overcrowding can sometimes lead to diminished security.**

**Again, while not specifically a judicial concern, evening sessions could help to ease the court overtime for police officers. The team estimates that scheduling cases for the evening session for officers who are on the night shift could lead to approximately a 50% reduction in overtime, or a cost saving of approximately \$8,498.**

**Cost Savings: \$8,498**

**There would also be costs associated with additional sessions. Without a written agreement between the city and the presiding**

judge, it is difficult to determine if the city could reasonably expect that the current judge would preside over additional sessions, although it is not likely. Based on experiences in other municipalities, a

reasonable payment for judge to preside over an evening court session is approximately \$225 per session. Assuming two evening sessions per month, the additional cost for the judge would be approximately \$5,400 plus Medicare, social security and pensions costs of \$490 for approximately \$5,890.

**Value Added Expense: \$5,890**

The city would also have to consider the need to cover the additional court sessions with court administrative staff and provide security. The extra work for the court staff would be preparing for the session, staffing and opening and closing court. It is likely that by adopting a flexible schedule based on the court sessions, the additional overtime would be minimal. However, if one of the two staff were to work evening sessions and adjust their hours accordingly, only one person would staff the office.

Further, the overtime for 1998 was substantial. Through the end of October, the court administrator was paid 569.75 hours of overtime.

The 1998 salary ordinance sets the salary of a violations clerk at \$18,000 per year. Plus social security, Medicare, pension and health benefits of approximately \$6,000, the total position first year cost would be approximately \$24,000.

#### **Recommendation:**

The city may want to consider hiring an additional staff member for the court administration function, particularly if evening sessions are added. It is anticipated that the addition of one staff member could also lead to a reduction in the cost of overtime, which between January and October of 1998 was \$9,889. At this level the annualized overtime would equate to \$11,887. If as a result of this additional person overtime costs could be reduced by seventy-five per cent or \$8,915, the net value added cost would total \$15,015.

**Value Added Expense: \$24,000**  
**Less Reduction in Overtime: \$8,915**  
**Net Value Added Expense: \$15,015**

#### **Financial Information**

The following is a summary of total fines and costs collected by the municipal court for the last four fiscal years:

	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
Total Collections	\$362,223	\$125,529	\$127,872	\$118,382
Increase from Prior Yr.	188.6%	(1.8%)	8.0%	N/A

The coordinated efforts during 1998 have resulted in significant increases in court collections. The 1995, 1996 and 1997 collections are shown as reported in the each subsequent year's municipal budget. The court administrator provided the 1998 total. Collections for 1998 increased 189% over 1997. The court administrator credits the increase

in collections to issuing failure to appear notices and warrants. She also credited the police department with timely serving of the warrants. In addition, the current judge charges contempt of court for breaches such as not showing for a court appearance.

**The increase in collections is commendable and is reflective of intense work of the court staff.**

Examining payroll data from 1997 and 1998 does not give a clear picture of the operational cost of the municipal court. Two of the three staff members plus the judge employed during 1997 are no longer on staff. Payroll data indicates the two staff members' employment was terminated in February of 1998 and the judge left the court in March of 1998; therefore they were paid during part of 1998. The one remaining person on staff during 1997 is now the court administrator.

**Case Management**

The court administrator was able to provide ATS/ACS records since January 1998.

Outstanding time payments in January, 1998 totaled \$466,135 for traffic offenses and \$510,225 for criminal offenses for a total of \$976,360. As of September, 1998, those numbers were reduced to \$405,183 for traffic offenses and \$430,376 for criminal offenses for a total outstanding of \$835,559. During that same time period, fines and fees imposed were \$145,092 for traffic and \$114,497 for criminal offenses.

Although court staff has made major strides in increasing the collection rates, there is still a considerable amount of outstanding funds due the court. The Salem court may be a candidate for the Comprehensive Enforcement Program (CEP) offered by the AOC to assist in enhancing collections. Salem may apply to the AOC for participation in this program to assist the court in locating defendants who have failed to make the required payments and have not responded to the regular collection methods. We estimate that 20% of the uncollected delinquencies could be located and payment made. The CEP, by law, keeps 25% of the amount collected.

**Recommendation:**

**It is recommended that the city file an application with the AOC to participate in the Comprehensive Enforcement Program (CEP) for the collection of delinquent funds.**

**Revenue Enhancement: \$125,339**

Staff continues to work closely with the AOC to improve the court operations. The city has also utilized the expertise of court administrative personnel from other jurisdictions to assist in "catching up." Again, the team commends city staff for the efforts that

have lead to greatly increased collections and the reduction in cases pending.

## **ECONOMIC DEVELOPMENT**

Due to high unemployment, vacant buildings, and plant closings, economic development is an area that must be given high priority status. The team observed that a retail strip center located adjacent to the center city area was closed and the buildings had been boarded up. Industrial facilities adjacent to the city's largest employer, a glass plant, had been vacant for some time and the buildings were in an obvious state of extreme disrepair. Additionally, several small independent businesses had either closed entirely or had relocated to other sites. Some activity was observed in the vicinity of the Salem Port but it was evident that the area was underutilized.

**A small retail strip center had been constructed along Route 49 in recent years and appeared to be reasonably active. The only other new construction that the team observed was a moderately sized retail auto parts store being built near a relatively new drug store, which was part of a national chain. The city had applied for and received funding to enhance its center city streetscape by replacing sidewalks and landscaping with new pavers.**

**Salem County has recently been approved to collect one-half the statewide sales tax or 3%. This was accomplished after it was recognized that Salem County was sandwiched between Delaware which has no sales tax and communities in Cumberland County that had previously been designated Urban Enterprise Zones. UEZ designated retail businesses may upon application charge the 3% sales tax. While it is too soon to measure the impact this action has had upon retail businesses in Salem County, it is generally accepted as being a positive move and reflects the states willingness to address economic issues in this area.**

**At the present time no member of the city staff is assigned the responsibility of coordinating, planning, promoting, or encouraging economic development in Salem. During the time of the team's review the elected officials of the community were handling issues of economic development almost exclusively. While the team does not question the expertise that Salem's governing body has in this area, it should be noted that they are all part-time and should not be expected to be in a position to devote their full efforts to this endeavor. Due to the highly competitive nature and the sophistication present in this field, it is difficult, at best, for the governing body of Salem, or any community for that matter, to perform this function without some full-time assistance from city staff or a consulting firm. It should also be noted that Salem County has full-time staff assigned to economic development for the county. In discussing this issue with county officials there did not appear to be any direct**

interaction between the county and the City of Salem in this area. This lack of communication and cooperation seemed to be a serious issue particularly keeping in mind that Salem City is the host community for Salem County offices.

#### **Recommendation:**

The city is encouraged to assign economic development responsibilities to the community development office. The person in this position is familiar with grants associated with economic development and it is a logical extension. He is well acquainted with the community as a whole to include strengths and weaknesses. He is currently performing functions closely related to economic development in the field of housing rehabilitation. This will provide for an individual to be immediately available to respond to questions or inquiries. He will also be in a position to pursue a variety of leads. The location of this office is adjacent to and for all intents and purposes a part of the proposed clerk/administrator's (proposed elsewhere in this report) office, who further would be available to enhance the city's position for development in this area. Notwithstanding the aforementioned, the city should, without hesitation, open lines of communications and foster a partnership with the county's economic development personnel. Once accomplished, both entities should meet with all appropriate state (including the Delaware River Bay Authority {DRBA}) and/or federal agencies in an effort to develop a comprehensive and workable plan of action that will enhance Salem's economic viability in this region of the state. It is anticipated that little if any direct cost to the city would result in the aforementioned actions, since all personnel and the appropriate agencies are already in place but merely require the necessary utilization.

### **EMERGENCY MEDICAL SERVICES**

#### **Organization**

Emergency Medical Services (EMS) are provided by Fenwick Ambulance, a wholly volunteer, non-profit, corporation. Currently, there are between fifteen and twenty active squad members holding EMS certifications. Because Fenwick is an incorporated entity and not a department within the city organizational structure, the city does not exercise direct oversight of the ambulance service. Fenwick has been providing EMS for Salem for thirteen years, and has been fortunate in that it continues to attract volunteers to staff the squad.

The service is housed in a city owned, two story, two bay building located behind the county office complex in the city's central business district. The location provides relatively easy access to all city locations. Fenwick volunteers have performed and paid for some improvements to the building in recent years, including renovating the second floor.

There are two city owned vehicles assigned to Fenwick Ambulance; a 1986 Ford Van Wheel Coach and a 1996 Ford Mini-modular.

Members of council and city administration expressed a concern regarding the provision of emergency medical services in the future. Accordingly, LGBR researched viable alternatives for the provision of the services, which are detailed below.

### **Financial Information**

The city's 1997 budget included \$24,000 for "other expenses" (OE) related to Fenwick Ambulance. The largest expense item charged against the OE was insurance costs of \$9,772. Utility costs, including telephone service, were the second largest cost item at \$4,732. In addition to financial support provided by the city, Fenwick Ambulance volunteers solicit donations and raise funds by doing in service projects.

Over and above the OE expenses mentioned above, capital expenditures over the last year have included a new vehicle (\$95,000) and work on bay doors. The service has requested \$16,000 in capital expenditures for 1999. City staff was reviewing the request at the time the team was in Salem.

The concept of billing for the services provided by Fenwick has not been considered as an option to cover costs.

### **Calls/Response**

Calls for transport are made through the county 9-1-1 operation with the exception of pre-arranged transports and some minimal number of calls received by the police and fire departments. In addition, the squad responds to all fires and some police activity such as accidents.

The team believes that based on the industry standards of ten minutes being an acceptable response time, the ambulance squad has performed well over the last year with 1,364 calls and over 11,000 miles traveled. Included in those calls were 1,061 calls for emergency service, 139 fire calls and 66 transports. The squad was also called for 98 miscellaneous services.

In most cases, all patients are transported to the Salem County Hospital in Mannington Township, an adjacent municipality to Salem. Underwood Hospital provides MICU (Mobile Intensive Care Unit) coverage as determined by need and State of New Jersey guidelines.

### **Considerations**

The city has been very fortunate in that it has a very active squad of volunteers while many other municipalities have been losing their base of volunteers.



As noted, the squad does not bill for transport services and the burden of financing the ambulance operation falls almost exclusively to the municipal purpose tax base. The team is concerned that the squad is not capitalizing on financial opportunities currently available and being practiced by many other communities.

It should be noted that billing for emergency medical services is an established, technical field. Most municipalities choose to have an experienced vendor provide the billing service. A private vendor is generally paid a percentage based on actual collections.

### **Recommendation:**

**The team recommends that the city consider the precedent established in many communities whereby patients, and their insurance companies, are billed for services rendered. The city should consider meeting with neighboring communities in the Southern New Jersey area that have already addressed this issue successfully, in an effort to learn from their experience. It is highly probable that existing city staff could complete a study on billing services. If the city finds that it is unable to conduct this study in-house, then the city could prepare a short RFP for this service. Although less desirable due to potential conflict, the city may find that an interested vendor might be willing to conduct a practicality study in hopes of securing a contract to provide the billing service. Billing for services would reduce, and probably eliminate, the need for the city to provide other expenses, derived from local purpose tax revenues, which for 1997 was \$24,000. This recommendation applies regardless of the type of service the city decides is the most feasible, as discussed below. Since the OE expenditure will remain regardless of the action taken we will not quantify it as a savings here. It must be considered however in all scenarios' listed as options for the city to consider.**

In addition to potentially eliminating the need for the city to financially support the ambulance service, there is the potential of generating significant funds. The overall average collection per call is between \$180 and \$190, when taking into account the average fee (between \$325 and \$350), the average collection rate (between 60% to 80%) and the average fee charged by the vendor processing the bills (about 9%). Based on 1,127 potentially billable "runs" during 1997 at \$180 collected per run, \$202,860 could be generated. However, it must be remembered that there would be significant increased expenditures because the squad would become a non-voluntary squad and there may be a need to pay EMS staff, depending on the type of service the city ultimately determines is appropriate.

Prior to setting the fee for transports, the exploratory committee (which is discussed below) should consider Salem residents' needs and ability to pay both with support of insurance and from personal resources, but also set a fee which ensures that all costs for the service will be covered through collections. Reimbursable amounts range greatly and could be as low as \$65 for Medicaid or can be

as high as a few hundred dollars for some types of no fault insurance. Medicare can provide a “payee” synopsis of the population based on statistics and historical data for a fee. These profiles offer more succinct information with regard to the Salem population.

**Recommendation:**

**In order to estimate the potential collections for billing, the team is conservatively estimating an average collection of \$100 net per patient billed, causing a revenue enhancement of \$112,700. This amount minus the \$24,000 OE identified above will result in a net positive effect upon the municipal budget of \$88,700.**

**Revenue Enhancement: \$112,700**

It should be noted that the above improvement to the municipal budget is predicated on OE remaining stable and no expenses incurred for salary and wages.

Acknowledging that many previously wholly volunteer emergency service operations have been faced with limited funding and a potentially dwindling pool of volunteers, the team has considered various alternatives as they could relate to the city. The team has analyzed various structures and considered how they could relate to the provision of emergency medical services in Salem. The four organizational structures discussed are volunteer

squads, non-volunteer municipal squads, a hybrid of volunteer and paid squads, and outsourcing of services. Continuation of the existing volunteer squad is the only alternative discussed that does not assume billing for services.

### **Recommendation:**

**The city governing body, in cooperation with Fenwick Ambulance leadership, community leaders, and city staff, should establish an exploratory committee. The purpose of the committee would be to explore service delivery options, potential cost savings, citizen acceptance, and the practicality of billing for ambulance services. The committee should form recommendations on the type of service option that best suits the needs of the community. The city should include the appropriate legal counsel in this analysis of this service to ensure compliance with appropriate statutes.**

### **Volunteer Squad**

Fenwick Ambulance, a volunteer squad, can continue to provide services to Salem residents as a volunteer squad with support and contributions from the city. Under this arrangement, Fenwick would continue to enjoy all of the benefits of being a wholly volunteer squad, including reduced insurance rates, financial contributions from the city, fundraising activities, certain protections from civil liability, eligibility to utilize state bidding contracts, municipal coverage of workers compensation and other types of insurance, and having EMT training paid by the state.

If the squad was to remain wholly volunteer, the city could expect to expend at a minimum \$120,000, over the next five years, based on the 1997 OE allocation. This cost could be much larger if the need gets greater in the face of shrinking donations or availability of volunteers. Also, by statute, a municipality may make voluntary contributions of up to \$35,000 annually, so it is quite conceivable the amount will increase from the current level to the maximum allowed by law. It should also be noted that the city faces the necessity of having to replace the 1986 ambulance in the next five years, at a cost of approximately \$100,000. Assuming a ten-year life, this would equate to approximately \$10,000 per year in addition to the annual OE costs.

In addition to cost concerns, this option does not address the issue of how to cover ambulance service should there be no volunteers available to respond to calls.

### **Non-Volunteer Municipal Squad**

Another option is a non-volunteer municipal squad. By definition, a non-volunteer squad is one that is paid. Non-volunteer emergency medical services can be provided by private vendors, not-for-profit incorporated squads, or municipal squads. Generally, the funds to pay for the non-volunteer service are obtained from billing patients, and their insurance companies, for services.

A non-volunteer squad could enjoy benefits from the collections of fees and can also receive some municipal support. At present, the city has no control over the squad activities or structure. Should Salem seek to control the squad and better control costs, it could bring the squad into the city governmental structure, much the same as the city fire department. This option could leave the squad intact, although not incorporated. The main reasons for this undertaking would be to collect revenues, control expenses, provide administrative oversight, and possibly enhance services.

There are significant operational differences between the volunteer and non-volunteer municipal squad. Non-volunteer municipal squads are subject to more structured regulation and are not eligible to take advantage of some of the opportunities of volunteer squads. Non-volunteer squads must meet stricter minimum standards established by the state, obtain a state ambulance provider license costing \$1,500 with \$100 charge per vehicle (although a municipal ambulance service does not pay an application fee), are subject to state oversight and may be inspected at any time. The non-volunteer squad must supply statistics and information as required, and the state may take an ambulance out of service if it is determined to be unsafe.

In addition, the state must perform an inspection in order to license a non-volunteer squad. During the inspection, at a minimum, state officials inspect vehicles, equipment, administrative information and the written standard operating procedures including a written charity care policy for persons that cannot afford to pay for the service. The state also requires that there are two EMTs on each non-volunteer ambulance to respond to a call.

Additional incentives enjoyed by volunteer squads which are not afforded non-volunteer squad members is the “blue light status” and Good Samaritan statutes which protect members from civil liability arising from acts or omissions occurring in an attempt to render emergency medical aid to ill or injured persons.

If a volunteer squad becomes a municipal squad, it loses the separate incorporation and becomes an appendage of the municipal government. Also, under the law, once they start billing for services, there is no reverting back to a volunteer squad basis. The decision is final. Presently, almost 60% of squads that make the transition from volunteer to paid services become municipal squads.

Issues of pay and/or stipend would probably become a consideration, however, this option assumes billing for services as discussed above.

### **Hybrid**

Some communities are now utilizing a hybrid scenario, applying aspects of both the volunteer and non-volunteer squad configurations. A typical hybrid emergency services scenario would provide paid services during the day, but continue to utilize volunteers at night. The squad would retain its incorporation and continue to operate separately from the city governmental structure.

Although it is not totally paid, the hybrid squad is subject to all the rules of a fully paid ambulance service. The squad continues to operate the ambulance, but also arranges for day coverage and controls all expenditures. Many communities have sought to provide this coverage in the face of dwindling volunteers, especially during the day. Costs are met through collection activities but are reduced since the volunteers continue to cover the evening hours. Volunteers stay active since they continue to provide the service for two-thirds of the day.

The incorporated private squad faces stiff competition from some major commercial competitors who may be able to deliver the same services for a reduced cost. Further, complications can arise if a private EMS vendor determines that, based on the contribution from the municipality and in light of the hybrid squad billing for services, the service should have been exposed to the public bid process. However, small-incorporated squads that collect revenues to offset the cost of the service can survive if their organization continues to provide basic non-paid transport.

As already discussed, the MICU currently serving the area bills patients. Another hybrid option eliminates the incorporated squad or the municipal squad in favor of the MICU. Use of the current MICU offers some advantages to the municipality since it already knows the area and already bills its patients. This option normally requires the city to maintain the vehicle, but all other payments are handled through the MICU. Revenues generated over and above the costs of the provider would need to be negotiated with the MICU provider but could amount to some minimal revenue to Salem.

The team believes that the hybrid coverage presents some viable options for Salem, but the exploratory committee should make the ultimate determination.

### **Non-Volunteer Private**

The city may separate itself entirely from the volunteer squad, and let the squad provide services by billing for its services, thereby becoming a wholly non-volunteer private service.

The final option to be discussed is for the city to completely bid out its ambulance service needs. The private vendor would be responsible for all coverage and would bill the patients directly for the services. If the exploratory committee determines bidding of services to be the most practical method for servicing the community, the Fenwick Ambulance would be eligible to participate in the bidding process.

## **FIRE SERVICES**

The volunteer fire department provides fire protection for the city. The department has a rich heritage and was one of the earliest organized in New Jersey. The department is comprised of four separate fire stations, each with its own building, equipment and volunteers. Although each of the four stations have their own identity, they all share one chief and are considered to be one department by the city administration.

The four active stations are located at the compass points of the 2.6 square mile city giving even response time to most fires. The ISO rating reflects that no station is greater than 2.6 square miles from the furthest point. The city owns eight pieces of fire fighting equipment and two boats that are used for water rescues.

Over the last few years, Salem has lost much of its industrial base to geographical relocations, shifts in industrial usage, and a consolidation of agricultural-related industry leaving behind empty industrial complexes and retail buildings, resulting in the city having to increase financial support to the department. To this end, a few years ago the city replaced one of its oldest stations with a modern and spacious building located on a piece of property diagonally across from the municipal building annex.

Volunteer strength is less than what it was at its pinnacle, but still commands some 60 members as a very respected and proud group of volunteers. This reduction in volunteerism is not unique to Salem but is a common issue across the state. A volunteer chief is paid a stipend for his work as head of the department. In addition to his responsibilities as fire chief, he is paid as a part-time city employee to perform sanitation inspections.

The oldest of the fire stations, which is no longer utilized as a fire station or counted among the four active stations, is located in the center of the downtown area. It is now being renovated while both the City and County Historical Societies seek additional funds to establish it as a fire museum, the only one of its type in Salem County. LGBR will not address the renovations of the firehouse because it does not appear the city is directly providing funds for the renovations, although the property remains on the tax-exempt list.

### **Union Station**

Union Station, located in the center of Salem across from the city hall annex, was built to replace the station that was taken out of service. The station houses a 1969 Kaiser Jeep used for a cascade system and a 1978 Mack Class A Pumper. It should be noted that during the team's review, the city ordered a new truck to replace the 1978 pumper. Union Station provides coverage for the western portion of the city.

Union has a volunteer contingent of 20 individuals. Although the chief did not request capital improvement funds for Union Station for 1998, \$18,150 for equipment repair and service, utilities, training and routine building repairs was requested. The chief requested \$18,150 for each of the four active stations for a total of \$72,600 for fire department “other expenses,” or approximately \$28,148 per square mile. The team has identified other municipalities that are spending as low as \$2,227 per square mile for fire services operating expenses.

### **Liberty Station**

Also located in the downtown area, this building houses a 1971 Maxim Ladder and a 1994 Simon Duplex Fogger. This building is well maintained with bays on both sides of the building permitting easy entrance and exit. This building has some excess space in the garage area, which could be used to house additional equipment. Liberty Station provides the eastern coverage of the city.

Twelve volunteers service Liberty. The chief requested \$18,000 for capital improvements for 1998 including emergency lighting, fiberglass overhead doors, an exhaust fan, sidewalk

repairs, and some interior painting. Budgeted items included utilities, equipment repair and service, and general needs such as training; these costs were also estimated at \$18,150 for a total of \$36,150 for this station.

#### **Washington Station**

**Located at the southern end of Salem, this station houses a 1978 Ford Pick-up and a 1984 Mack Pumper and also has space that the chief utilizes as an office. There is a meeting area and kitchen facility located on the second floor.**

**Staffing is comprised of 18 volunteers. The chief requested capital improvements of \$46,500 for 1998, which included \$20,000 for a new “A” frame roof. An interesting additional cost was included to replace a failing air conditioning unit located on the roof. It was the team’s observation that water from the existing air conditioning unit may have led to the roof failure. The remainder of the capital improvements was to replace ceiling tiles and windows, and includes some interior painting. As with the other stations, \$18,150 was set aside from other expenses. The total request for this station was \$64,650.**

#### **North Bend Station**

**The North Bend Station is located at the northern entrance to Salem. This building was constructed around 1930. The station houses a 1978 Crash Truck and a 1982 Mack Pumper. Two boats, a 12-foot Meyens and a 17-foot Boston Whaler, are stored in an outbuilding on the property. The chief requested \$12,000 for new roll-up doors, and \$18,150 was set aside for general maintenance for the North Bend station. The total request for this station was \$30,150.**

**At the time of our review, the North Bend Station had ten volunteers.**

#### **Other Expenses**

**The city’s budget reflected an appropriation of \$114,000 for “fire-other expenses.” A review of other expense information provided to the team indicated that significant expenditures included \$14,932 for utilities, \$3,352 for routine building maintenance, \$39,289 for insurance on buildings, equipment and property, \$17,182 for routine vehicle maintenance, and \$2,544 for gasoline. There was also \$6,900 for miscellaneous activities at the fire stations, although the CFO/treasurer could not document any specific expenditure for miscellaneous activities. It should be noted that the payments were made directly to the station in lump sum amounts. The team was told that some of these funds were used to buy supplies for party activities, including the purchase of alcoholic beverages.**

**Recommendation:**



In light of no documented expenditures under miscellaneous activities, the team recommends that the practice of providing funds to cover miscellaneous costs for the stations cease, until and unless appropriate documentation is provided. The team

further recommends that the purchase of any alcoholic beverages be discontinued especially due to the extreme liability issues that could result. This action should include consultation with appropriate legal counsel to ensure compliance with applicable state statutes.

Cost Savings: \$6,900

**As mentioned, nearly \$40,000 was spent for insurance coverage for the fire department, or approximately 35% of the department's other expenses. The team attempted to determine the savings in insurance costs should two of the stations be closed and some of the equipment sold. Unfortunately, as discussed under the insurance section of this report, the insurance broker was unresponsive to requests from both the team and the CFO/treasurer, and insurance costs specifically allocated for the Washington Fire Station and the North Bend Fire Station were not made available. However, based on insurance information made available by city staff, the team was able to estimate the approximate cost allocated to each station. The team estimates property insurance costs of \$13,099 for Washington and \$3,695 for North Bend.**

**Similarly, insurance costs for the 1982 Pumper and 1969 Kaiser Jeep were not made available but utilizing the \$740 cost per vehicle provided by city staff, the team estimates an additional cost of \$5,920 for the eight pieces of equipment, of which \$1,480 was for the pumper and Jeep.**

#### **Responses for 1997**

The exact number of responses for each station during 1997 is not available, but overall city numbers were provided. The city does not report fire activity officially to the New Jersey Department of Community Affairs, but certainly this is something that should be considered. The chief made fire activity reports available for the team's information.

Recommendation:

**The team recommends that the city participate in the reporting of fire activity to the New Jersey Department of Community Affairs.**

The Salem County 9-1-1 Center dispatches almost all fire calls to the fire department, which amounted to 386 calls for service in 1997. Among those calls for service were 22 structure fires (or less than 2 per month), 56 sounding of fire alarms, 104 responses to traffic accidents and county assistance requests, 5 river rescues, and 95 investigations, brush and trash fires. The chief also indicated the department held 44 drills among the four houses, or 11 per house on average per year.

Because none of the fire department staff and volunteers are certified to perform fire prevention inspections, the New Jersey Department of Community Affairs performs all related life hazard functions for the city.

### **Observations**

The team strongly believes that having four active stations in Salem places a large burden on municipal services and the municipal purpose tax rate. The team could find no justification for four fire stations and ten major pieces of equipment in a municipality with a population of 6,847 encompassing 2.6 square miles. This is not to imply that the volunteers of the fire department do not serve the citizenry well and with great dedication.

It was apparent during the review that two of the houses, North Bend and Washington, are in need of major repairs. Requests from the chief suggest over \$55,000 is needed to repair both stations. Closure of those stations, which are located on the northern and southern ends of the community, should not disrupt response time since the remaining two stations are centrally located and are the most updated facilities. Further, closure of these facilities should not adversely affect the ISO rating because of the remaining two stations and equipment are well within 2.7 miles of any location in the city.

The closure of the two stations and the reallocation of equipment would have a major impact on city contributions to the fire department.

### **Recommendation:**

**As discussed, the team recommends that the North Bend and Washington Fire Stations be closed, the equipment therein sold or reallocated to the remaining two stations, and the volunteers be encouraged to join the remaining two stations. At a minimum, closure of the two fire stations will result in cost savings of \$36,300 for general operating expenses and maintenance, \$16,794 for property and casualty insurance, and a cost avoidance of \$58,500, the amount requested for repairs to the buildings.**

**Cost Savings: \$53,094**  
**One-time Cost Savings: \$58,500**

As already discussed, there are six pieces of equipment between the North Bend and Washington stations, including two pumpers, a crash truck, a pickup truck, and two boats. It is the team's opinion, based on the number of calls (as provided by the chief), that those pumpers are underutilized and therefore both are not necessary.

Recommendation:

**LGBR suggests the city attempt to sell the 1982 Mack Pumper, now located in Union Station, and reallocate the pumper from Washington to Union Station. The team also suggests the Kaiser Jeep/cascade system located at Union Station be taken out of service. The team estimates that the city could receive \$13,000 for the sale of the two pieces of equipment. Additional insurance cost savings are estimated at \$1,480. Also, two-eighths of the vehicle maintenance cost equates to \$4,296.**

**One-time Revenue Enhancement: \$13,000  
Cost Savings: \$5,776**

The team found that the U.S. Coast Guard Service keeps a vessel in a marina less than one mile from where the city stores its rescue boats. It was the team's observation that the Coast Guard vessel was in the marina nearly nine months of the year. In addition, the team was informed that the Delaware State Police provide rescue services up to the high water line. The team finds the city's water rescue operation to be duplicative of the service provided by the Coast Guard and the Delaware State Police.

**Recommendation:**

**It is recommended that the fire department disband its water rescue unit because it is duplicative of services provided by other governmental agencies. In addition to those coverages, the city could request that the occupants of commercial properties immediately on the Salem River, including the Salem Port Authority, play a role in providing emergency assistance along the Salem River, as appropriate. The team further recommends that the city divest itself of both boats in a manner prescribed by statute. Insurance savings would equate to approximately \$1,480 and the team conservatively estimates the city could sell the boats for approximately \$1,000.**

**Cost Savings: \$1,480  
One-time Revenue Enhancement: \$1,000**

After divesting of the two boats, pumper and the Jeep/cascade system, there are two pieces of equipment to be redirected to the remaining fire stations.

Realizing the city would not want to leave either the Union Station or Washington Station properties vacant, the team has formulated some possible alternatives for uses for the property. The suggested alternatives include:

- The Washington Station could be converted to School Board offices as discussed as an alternative in the Salem School District LGBR report. This option removes all budgeted moneys from the city budget and places the entire facility under school control. The specifics regarding the transfer of ownership would need to be negotiated between the two parties and be mutually beneficial.
- Sell the Washington Station land and facility. The Washington Station site offers an excellent commercial location and, according to insurance documents, the most current assessed value is \$434,321. This option also removes all budgeted monies from the city budget.
- Should city management determine that a new municipal court facility is needed, the city could consider renovating the Washington Station for court activity. This could also entail the movement of court personnel out of the police building to the second floor of the facility, requiring access considerations be undertaken. Movement of the court staff would open more space in the police building. The estimated cost for basic renovations is approximately \$90,000. Utilizing the building in this fashion would allow for the remainder of the second floor, should any space remain, to be leased back to the volunteers displaced by closure of the two fire stations or for municipal records storage.

- Sell the North Bend facility. The North Bend facility is located in close proximity to the site of a proposed bridge to replace the one that serves as the main northern entrance into Salem. The location is well suited for a small commercial property. According to insurance documents the land is valued at \$122,209.
- Should the city desire to do minor renovations at the North Bend facility, it could be converted to a municipal record storage facility with minimal upkeep but would require that utility and insurance coverage be continued. The city may wish to explore the feasibility of sharing the storage space with the school district.

## **INSPECTIONS AND PERMITS**

Currently, the city treats housing inspections and uniform construction code activities as two separate operations. However, because the administrative code indicates that they are one department, entitled inspections and permits, this report includes them under one section. The two functions share space in the city hall annex as well as some common staff. The fire chief, who receives a stipend to perform trash warden functions (accumulation of debris on private property), is also located in the same office space for solid waste inspections.

### **HOUSING INSPECTION**

Housing in general, and the condition of some of the housing stock in particular, was identified as a major area of concern by city council. A visual overview of the city confirms that there are many well-maintained homes in the city but there are also a large number of structures that have fallen into disrepair or appear to be abandoned.

Many of the homes were built in the 1800s and early 1900s. The New Jersey Municipal Data Source Book indicates that there were 2,894 housing units in the city at the time of the 1990 census. Of those units, 1,101 were single family homes, 1,094 were owner occupied, and 1,522 (or 53% of the housing units) were renter occupied. Prior to the time of the review, the city did not have a rental registration ordinance and therefore there were no definitive records available as to the current number of rental units within the city. The housing inspector did confirm that the database maintained by the city indicated that there are at least 900 rental units but added that there are likely a few hundred that have not yet been entered in the database.

According to the housing inspector, the city adopted the BOCA voluntary housing codes in 1995. One housing inspector and one half time clerk performed the functions associated with 495 inspections relating to that code during 1998. Those inspections were performed when there was a change in occupancy for both owner occupied and renter occupied housing units.

**Housing Inspection-Financial**

In 1997, it cost the city approximately \$41,512 for the housing inspection function, as outlined below:

<i>Expenditures-1997</i>	
Position Values	
Housing Inspector	\$33,983
Clerk (50% costs)	13,457
Other Expenses	3,112
Total Expenditures	<u>\$50,552</u>
<i>1997 Revenues Collected</i>	<u>\$9,040</u>
<b><i>1997 Cost to the City</i></b>	<b><u><u>\$41,512</u></u></b>

The following provides an analysis of anticipated 1999 expenditures. The team created the scenario by projecting the position value for the three current staff positions, which includes benefits, social security, and Medicare, assumes the same amount of revenues as received in 1998, and uses other expenses as budgeted for 1999.

<i>Anticipated Expenditures-1999</i>	
Position Values	
Sr. Housing Inspector	\$38,683
Housing Inspector	29,607
Clerk (50% costs)	13,919
Other Expenses Budgeted-1999	5,175
Total Anticipated Expenditures	<u>\$87,384</u>
<i>1998 Revenues Collected</i>	<u>\$10,130</u>
<b><i>1999-Cost to the City</i></b>	<b><u><u>\$77,254</u></u></b>

### **Housing Inspection-Staffing**

During 1997, one housing inspector and one half-time clerk staffed the housing inspection function.



While this review was ongoing, the city council determined that additional staff was needed and promoted the housing inspector to senior housing inspector and the clerk to housing inspector. This also resulted in a recall of a recently separated clerk to fill the clerk position. The net result was an additional full-time position and additional staff costs of approximately \$30,000.

The team performed an analysis of the number of inspections to determine if it seemed appropriate to have two full-time inspectors in a municipality the size of Salem, based on the 1997 experience. A housing officer would normally be available to work approximately 226 days. If 495 inspections were performed in 1997, than only 2.2 inspections were performed each day the inspector worked. Assuming each inspection takes about one hour, there would

still have been 4.8 hours left in each day worked to perform other technical and clerical work. Therefore, the team does not support the need for two housing inspectors in addition to a half time clerk.

Recommendation:

**The team recommends that the staffing compliment be returned to one full-time inspector and a half time clerk. There is not sufficient work, even with the passing of the rental registration ordinance discussed below, to justify two full-time housing inspectors in the office. The position value of the second inspector is estimated to be \$29,607.**

**Cost Savings: \$29,607**

Note that the elimination of the one housing inspector position would decrease the additional needed revenues depicted above by \$29,607 to \$47,647.

The housing inspector also performed some amount of work for the construction code function for which he was paid a stipend of \$2,500. It was the team's observation that the added responsibility distracted the housing inspector from completing his primary responsibilities and may have in part resulted in the perceived need to hire an additional staff member.

Recommendation:

**The team believes that the housing inspector should cease doing the responsibilities associated with construction code enforcement.**

### **Housing Inspection-Rental Registration Ordinance**

As mentioned, at the time the review was started, the city did not have a rental registration ordinance or a requirement that rental units be inspected annually, although an ordinance was subsequently enacted. The city council faced a great deal of opposition to the ordinance from landlords but, because of the condition of the some of the housing stock and concerns about the negative impact of that housing on the community, the council persevered and moved ahead with the ordinance. The ordinance requires landlords to register and license all rental units by mid-November, 1999. The cost for the registration and license is \$15 per unit and no unit can be registered unless all taxes are current. After November, 1999, a summons to appear in municipal court will be issued to all landlords who have not registered and licensed their units. Although the ordinance does not call for an annual inspection, the council and solicitor have indicated that an annual inspection component will be considered in the near future as the city gains a better understanding of the number of rental units and works through initial implementation stages.

**The city council is commended for passing a rental registration ordinance, which is a solid step toward insuring the integrity of the non-owner occupied housing stock.**

The strict enforcement of a rental registration and inspection program would have near immediate affects on housing. Although city officials are already considering the need to implement an inspection component of the program, the team has found that inspections go the extra step in ensuring the properties are being adequately maintained. Currently, units are inspected at change in occupancy only. For discussion purposes, the team is assuming that 100 of the 495 inspections during 1997 were for owner occupied dwellings. That leaves approximately 395 rental units that were inspected at change in occupancy.

The team proposes that the registration ordinance be enhanced to include an annual inspection. The annual inspection would eliminate the need to inspect upon change in occupancy for rental units because the unit would be inspected again within the year. The first round of inspections could be phased in over the first 12-month period so that the workflow is steady and predictable. Upon passing inspection, the landlord could be issued the annual license to rent or continue renting the unit.

As discussed, the housing inspector estimated that there were approximately 1,100 rental units in the city. There are approximately 260 workdays in a year. The inspection component of the program would require 92 inspections per month, or 4.2 inspections per workday. In addition, there would still be a need to inspect the owner occupied dwellings at the change in ownership which would equate to an additional 100 or so inspections per year, or about 8.4 more per month or .4 more inspections per day. With only 4.6 inspections needed per workday, one inspector could easily do the rental registration and licensing inspection work, particularly with careful scheduling based on geographic locations.

#### **Recommendation:**

**The team recommends that the practice of inspecting rental units at the time of change in occupancy be discontinued in favor of requiring an annual inspection of all rental units, as part of the rental registration ordinance. Each unit could be inspected, and reinspected at least once annually. However, there should be an additional charge for any more than one reinspection in a given year. Because of existing ordinances requiring what is commonly referred to as “CO” inspections, other ordinances may also need to be amended. The city should strive to get to that level over the next few years. It should also annually reevaluate the actual costs of program and adjust the fees accordingly.**

**However, the team believes that the fee for registration and inspection should be sufficient to cover all costs associated with the program. Based on the 1999 expenditure projections above and elimination of one of the housing inspector positions, the team estimates the cost to be \$47,647 or approximately \$40 per inspection for the 1,100 rental units and the approximate 100 or so**

**inspections for change in ownership. Because the city should receive \$16,500 based on the current ordinance, and \$2,500 for the change in ownership inspections (based on 100 units), the additional revenues generated would be \$28,647.**

**Revenue Enhancement: \$28,647**

## **CONSTRUCTION CODE**

The city has a part-time person serving as construction official and the same clerk who staffs the housing inspection function provides clerical support and serves as the “control person” for Uniform Construction Code (UCC) activities. The uniform construction code enforcement function is located in the same office area as housing inspection. As discussed, the housing inspector is paid \$2,500 from the construction code budget to perform some inspections during the workweek. The contract with the construction official specifies that his services are available for eight hours on Friday and on a limited basis on the weekend.

Recommendation:

**As discussed above, the team recommends that the construction official perform all required functions associated with being a sub-code official and construction official. If the current construction official is unable to perform those duties, the city may want to consider seeking the services of a new construction official or entering into an interlocal service agreement with a neighboring municipality. Entering into an interlocal service agreement could potentially make the city eligible for funds from state incentive programs relating to shared services.**

The city utilizes the services of a third party agency for the fire, plumbing, elevator and electrical sub-codes functions. The contract with the third party agency administering the electrical, plumbing and fire sub-code functions provides that the agency is paid 80% of all related fees collected by the city. The city retains the remaining 20%.

The city also contracts separately with a third party agency for elevator inspections.

**The city is commended for utilizing the services of third party agencies to accomplish the plumbing, electrical and fire sub-code functions.**

The team considered the necessity of having even a half time clerk to process the permits. Utilizing the 323 permits issued in 1997, and 260 workdays per year, there were approximately 1.2 UCC permits processed a day. In addition, there are reports that must be submitted to DCA on a quarterly, monthly and annual basis, which is estimated to take about 153 staff hours annually. Assuming it takes approximately ½ hour to process a permit, it would take roughly 162 hours annually to process the permits. A half time staff

member works approximately 910 hours a year. That leaves about 595 hours of work time remaining that is potentially not filled with UCC related activities. Based on that analysis, the team believes that there may not be a need to have half of a clerk's time dedicated for construction code enforcement activity.

**Recommendation:**

**The team recommends there be a reconsideration of the need to have half of the clerk's time dedicated to construction code enforcement processing. LGBR believes that the deputy clerk or the housing office clerk could assume these duties without a major interruption in their daily routine. Assuming the additional work consumes about 2.5 hours per day, the productivity enhancement is estimated to be \$6,289. Half of the clerk's salary, social security, Medicare, pension and health benefits equated to \$13,457 in 1997. Assuming the additional work would consume about 2.5 hours per day of the deputy clerk's time, the productivity enhancement is estimated to be \$8,984.**

**Cost Savings: \$13,457  
Productivity Enhancement: \$8,984**

The team reviewed the current fee structure for construction code enforcement activities and found that the city's fee structure is consistent with fees charged by the New Jersey Department of Community Affairs (DCA). The state fees have been noted as an acceptable minimum benchmark in LGBR reports. However, should the city determine that it wants to increase fees, the team estimates that based on the city's 1997 experience, every increase of 10% in fees would lead to an additional \$4,500 in collections.

**Recommendation:**

**The city is commended for keeping the fee schedule current and consistent with acceptable minimum benchmarks. However, the construction code enforcement function is unique in that state regulations governing the setting of fees allows municipalities to include all costs reasonably associated with the enforcement of the state regulations, including salaries and benefits of licensed code enforcement officials, clerical personnel, and overhead. Fee schedules are supposed to be reviewed each year to determine if collections are sufficient to cover all costs. City officials may want to consider increasing fees in the future to assist in covering all costs associated with construction code enforcement. Every 10% increase will generate approximately \$4,500.**

**Revenue Enhancement: \$4,500**

It was difficult for the team to reconcile the amount of funds collected by the city for enforcement of the UCC. The city maintains a trust fund for the construction code function. Based on information provided by the CFO/treasurer and contained in the audit, the city had to transfer funds to the trust fund for at least the last three years to help cover the cost of the function. The amount was generally around \$15,000 annually necessary to cover the expenditures reported to DCA.

The following provides a summary of revenues and expenditures as reported to DCA:

<b>Title</b>	<b>Total Salary</b>	<b>% of time on UCC</b>	<b>Hours worked</b>	<b>Total cost for UCC</b>
Senior Clerk Typist	\$21,844	50%	17.5	\$10,922
Construction Official	\$7,754	100%	8	\$7,754
<b>Subtotal</b>	<b>\$29,598</b>	<b>-</b>	<b>25.5</b>	<b>\$18,676</b>
Fringe	\$31,291	50%	-	\$19,369
<b>Total Cost</b>				<b>\$38,045</b>

#### **INSURANCE**

Insurance oversight is divided between the city clerk and the finance office. The CFO/treasurer is primarily responsible for property and casualty insurance while the clerk is responsible for health insurance. The clerk's office is assisted with the processing of monthly state health benefits program bills from the same clerk in the finance office who processes tax bills and assessment records.

#### **Property and Casualty**

**For 1998, the city packaged all of its property and casualty insurance and solicited informal price quotations. As a result, the city changed brokers and entered into a three-year agreement with a broker who guaranteed that rates would not increase during the term of the agreement.**

The city is commended for soliciting price quotations and identifying methods for obtaining comparable insurance at reduced rates.

**The team, and the CFO/treasurer, on the team's behalf, attempted several times over the course of a few weeks to contact the insurance broker to discuss specifics of the coverage. After several attempts, the broker did return one call with a promise to get back with additional information. Several more calls went unanswered and the information was never received.**

Recommendation:

While reduced rates are commendable, there should also be an expectation that the broker needs to be available within a reasonable time to address city concerns. The city has the flexibility to withdraw from the current agreement if the broker is not providing adequate services.

**Based on detail by department provided by the insurance broker to the CFO/treasurer, the city has included the following totals for property and casualty insurance in each department's budget appropriation for other expenses. The charges are as follows:**

<b>Department</b>	<b>Budgeted Amount</b>
General Budget	\$50,381
Water and Sewer	\$39,185
Fire	\$33,587
Ambulance	\$7,464
Library	\$5,598
Recreation	\$1,866
<b>Total 1999 Insurance</b>	<b>\$138,081</b>

It was apparent to the team that property and casualty insurance oversight is predominantly left to the broker and is not considered a high priority among city staff. In its review of the available documentation, the team noted that the city does not keep a current fixed asset inventory, although there have been audit findings for not complying with the DCA technical directive requiring a current asset inventory. This is essential in determining appropriate levels of insurance.

Several years ago, the city contracted with a private vendor for an asset inventory, which is still being used by the city for insurance purposes.

A review of the list of insured property revealed that there were cars covered under the current insurance policy which had been sold in previous years, as well as vehicles currently owned which are not insured. City staff could not identify one building covered under the policy. Buildings owned and occupied by the city were not listed on the insurance documents the city had on file, and the values of the property insured was questionable, due to the lack of a current fixed asset inventory.

The team also learned that a trailer had been purchased by the fire department on a trade-in without the knowledge of the CFO/treasurer. The city continued to carry the registration and insurance on the old trailer while the new trailer was neither insured nor registered. Further, the team questions if a municipal entity is permitted to use one registered vehicle as a trade-in under state

statute and regulations. Specifically, according to N.J.S.A. 40A:11-36, all municipal property must be disposed of consistent with state statute and authorized by a resolution of the governing body.

#### **Recommendation:**

**The asset inventory being used by the city has not been updated in several years. In order to appropriately insure property, the city should have a clear understanding of all property owned by the municipality and its purchase and replacement values. To ensure insurance levels are appropriate, the municipality should have its asset inventory updated. Once updated, a staff member should be assigned to keep the list current. The cost charged by a private firm to establish and catalog an adequate inventory control system would be approximately \$6,000. Many will update the inventory annually at a minimal yearly fee. Generally, responsibility for maintaining a fixed asset inventory falls within the purview of the CFO/treasurer.**

**One-time Value Added Expense: \$6,000**

#### **Workers' Compensation**

**The city relies on its insurance company for administration of its workers' compensation program. All workers' compensation claims are either approved or denied by the insurance company. A nurse employed by the insurance company manages all workers' compensation claims. Upon injury, an employee contacts the nurse and a report must be filed. The CFO/treasurer gets a report from the insurance company of every contact between the insurance company and an employee. The insurance company must also approve any missed work time and an insurance company doctor determines when the employee can return to work.**

A review of the 1998 loss run report indicated that there were 21 workers' compensation claims during 1998, yet, according to a match of the employee attendance records, only nine days of work was missed because of injuries occurring in the workplace.

Concerns regarding personnel attendance records are discussed in the Collective Bargaining Issues section of this report. While there were instances when a claim was denied and the employee used sick time instead, the management of workers' compensation claims appears to be excellent. The low occurrence of injuries may also be because of the establishment of a safety committee which was created to formulate and recommend worker safety policies and conduct safety reviews.

**The city is commended for the efficiency of its worker compensation program, and the establishment of a municipal safety committee.**



**As with property and casualty insurance however, it appears the city relies heavily on the insurance company and broker for oversight of workers compensation insurance and related administrative requirements. It was apparent that very little attention is paid to workers' compensation administratively, to the point that there were no current loss run reports available in the city records for the team's review. The 1998 loss run reports were subsequently obtained by the CFO/treasurer from the broker.**

The team could find no evidence that the city has been submitting PEOSHA reports as required by the New Jersey Department of Labor. Conversations with staff confirmed that the reports most likely had not been submitted.

**Recommendation:**

**The city should comply with the PEOSHA reporting requirements. The report serves as an effective, informative management tool regarding workers' compensation claims. There can be substantial fines imposed by the state for noncompliance with PEOSHA reporting requirements.**

**The city currently provides 100% salary payment for workers' compensation time off, regardless of the staff's salary. The payments begin from the first day of missed work for any worker who is unable to work due to an injury or illness inflicted at work. The current workers' compensation insurance will only reimburse the city for 70% of the salary and wages and only after the eighth day is missed, up to the maximum allowed by state statute of \$516 per week. The remaining cost is bore by the city.**

**Recommendation:**

**The city could have saved the entire amount of salaries paid for workers who missed work due to a workers' compensation related injury during 1998 if it had adopted the state guidelines of 70% salary payment beginning at the eighth day of missed work,**

**up**

to \$516 per week. While savings in 1998 would have been marginal, savings could become substantial if there are several significant approved workers' compensation leaves in subsequent years.

Potential Cost Savings: \$1,373

## **Health**

The city utilizes the State Health Benefits Program (SHBP) for its health insurance and prescription drug coverage.

According to the city's personnel policies and procedures manual, full-time employees who work 35 hours a week or more, and their eligible dependents, are able to enroll in the current health benefits program offered by the city. Part-time employees hired after February 2, 1996 must also work 35 hours per week to be eligible for health benefits. In addition, both bargaining unit contracts covering city employees require that the city will provide full health care coverage for members and their eligible dependents.

A review of the health insurance billing reveals that there are six councilpersons, the mayor and municipal judge that receive health care benefits, although none of them work for the city on a full-time basis. One of the eight only has prescription coverage; five have family coverage, of which three have traditional plan coverage. The 1998 cost for providing insurance to these eight less than full-time employees is approximately \$43,044.

There did not appear to be any other part-time employees who received health benefits.

The city is commended for limiting participation in the health benefits program to full-time employees.

## **Recommendation:**

Although state statute permits elected officials to participate in the state health benefits program, it is recommended that the city council, as a body, voluntarily decline receipt of health benefits to ensure that they receive the same benefits provided other part-time employees. Similarly, the city council should reconsider the applicability of providing health coverage to the less than full-time judge.

Potential Cost Savings: \$43,044

The distribution of plan participation is a significant cost factor. The city has had some success in encouraging employees to participate in the less expensive managed care plans. Of the total 70 employees enrolled in the SHBP in October of 1998, 15.7% were enrolled in NJPLUS, 52.9% in the traditional plan, and the remaining 31.4% in other managed health care programs, as illustrated below:

Health Plan	Family	Married	Parent/Child	Single	Total
NJPLUS	7	3	0	1	<b>11</b>
Traditional	14	6	5	12	<b>37</b>
AETNA	7	2	3	3	<b>15</b>
Amerihealth	6	0	1	0	<b>7</b>
	<b>34</b>	<b>11</b>	<b>9</b>	<b>16</b>	<b>70</b>
Total other than Single	54				
Percentage Other-than-Single	77%				

**The Blue Cross/Blue Shield Traditional Program, which has the greatest participation by city staff, is the most expensive plan. For every employee who switches to NJPLUS coverage, the city saves an average of \$1,043 annually based on 1998 rates. The greater the number of employees who switch from the traditional program to NJPLUS, the greater the savings.**

The cost of health insurance for all covered employees for October, 1998 was \$28,783, which equated to approximately \$345,396 for the 1998 calendar year. Although current state statutes prohibits the city from instituting a premium-sharing concept, the city could institute a co-pay for other than single coverage. Currently, the city pays for the entire premium, regardless of type of coverage. If the employees were to pay a 20% co-pay for coverage other than single, the city could realize an annual decrease in cost of \$30,871 based on current rates. Implementation of premium sharing would require contract negotiations.

#### **Recommendation:**

**The city should negotiate to require employees to pay a 20% surcharge on all coverage other than single.**

**Potential Cost Savings: \$30,871**

There has been discussion in the past favoring adoption of a waiver plan which provides a payment in lieu of insurance coverage for employees who opt to not participate in the health insurance program, provided they are covered under another plan. However, there has been no action moving toward actual adoption. Under a waiver plan, those opting to not participate receive a payment generally equal to up to 50% of single coverage under NJPLUS. Based on a review of payroll data and conversations with city staff, it appears that there are at least two married couples employed by the city. While it may seem these numbers are inconsequential in regard to the cost for health care, it is likely that additional staff of the city would opt to not except coverage because of health coverage provided a spouse, as has been observed in other municipalities. The following table illustrates potential savings:

<b>Current Coverage</b>	<b>Coverage</b>	<b>Current Cost</b>	<b>Cost With Waiver</b>
<b>1. Husband</b>	<b>Family-Traditional</b>	<b>\$7,003.92</b>	<b>\$7,003.92</b>
<b>1. Wife</b>	<b>Family-Amerihealth</b>	<b>\$5,736.12</b>	<b>\$2,001.36</b>
Totals		\$12,740.04	\$9,005.28
		<b>Savings With Cafeteria Plan</b>	<b>\$3,734.76</b>
<b>2. Husband</b>	<b>Family-Traditional</b>	<b>\$7,003.92</b>	<b>\$7,003.92</b>
<b>2. Wife</b>	<b>Family-Traditional</b>	<b>\$7,003.92</b>	<b>\$2,001.36</b>
Totals		\$14,007.84	\$9,005.28
		<b>Savings With Cafeteria Plan</b>	<b>\$5,002.56</b>

Recommendation:

**It is recommended the city move ahead with discussions and implementation of a waiver in lieu of health coverage.**

**Potential Cost Savings: \$8,737**

Both contracts provide for health insurance upon retirement after 25 years of service. The police contract stipulates that health insurance will be provided for the retiree plus an additional \$250 toward family coverage per month through age 65. The blue-collar contract stipulates that health insurance will be provided according to the policies and regulations of the SHBP, present and future. During 1998, the city paid approximately \$57,992 in health insurance premiums for retirees. Of that amount, \$11,822 was paid for premiums for police retirees over 65 years of age. It did not appear city staff could explain why retirees older than 65 were still receiving city-funded benefits, although they assured the team that they would research the issue.

Recommendation:

**The city should abide by the terms of the contract and cease paying for health benefits for retirees who are no longer eligible, according to the terms of the contract.**

**Cost Savings: \$11,822**

## **LEGAL SERVICES**

### **Solicitor**

The city attorney is a member of the firm covered under a properly executed professional service contract. The agreement allows for the providing of legal services by any member of the firm, however, the contract indicates that two of the partners will be principally responsible. It was learned by the team, however, that only one of the two people specified provides the bulk of the services required by the city. The other is named in the contract as being a salaried city employee serving as the city prosecutor. The salary of the city prosecutor is \$15,450 and is in addition to the contract.

The contract provides for attendance at all regular and special meetings, rendering legal opinions, preparation of resolutions and ordinances, agreements, pleadings, other legal documents and participation in litigation, on behalf of the city. The fee for these services is \$100 per hour for attorneys and \$50 per hour for law clerks as well as reimbursement for all out of pocket expenses. The contract does not specify a retainer, rather the city is billed the hourly rate for all services provided. The contract fails to contain a “not to exceed clause.” This omission allows for no limit on the amounts charged per year except for the total budgeted by the city. The total for legal services exclusive of public defender costs has averaged approximately \$105,000 per year over the last three years. The contract is not specific but is very broad in the types of services that will be provided.

### **Recommendation:**

The contract should include a not to exceed amount that will be paid in any year. If it becomes necessary to exceed the amount of the contract, then an amendment should be submitted to and voted on by council. The contract should be more specific in the services to be provided. The governing body should review other contracts in force in neighboring communities to assure itself that the agreements it has are competitive.

The team, through a series of discussions with city staff, ascertained that the city attorney is called upon frequently to provide advice on a wide variety of subjects in addition to strictly legal matters. This is because, to a large extent, the attorney has been associated with the city for many years.

### **Recommendation:**

**While the team acknowledges that the attorney, as a result of his long-standing relationship with the city, is in a position to provide advice on other than legal matters it is recommended that consultation with the attorney be done prudently and sparingly. The team feels that the legal fees are substantial for a city the size of Salem. It must be kept in mind that legal bills continue to accrue with every consultation with the attorney. A reduction of only 15% would result in savings to the city of**

**approximately \$15,750. In addition, discussed in the Personnel and Human Resource Management section of this report, the clerk/administrator can assume some of the personnel functions being performed by the city solicitor.**

**Cost Savings: \$15,750**

### **Public Defender**

In addition to the contract above, there is a separate agreement with another law firm for the provision of public defender services for the city. This contract provides for a total lump sum of \$5,000 for the term of the one-year agreement. It further specifies that the services will include all necessary legal work to include, research, court appearances, investigation etc.

## **MUNICIPAL CLERK**

This person serves under authority of N.J.S.A. 40A:9-133. The municipal clerk is the official custodian of the municipal seal and all vital municipal records including, but not limited to, all minutes, books, deeds, bonds, ordinance book(s), contracts, legal advertisements, and archival records of the city.

During elections, the clerk is the chief administrative officer and the year round registrar of voters. The clerk is also the administrative officer for the application and issuing of licenses and permits except where statute or municipal ordinance has delegated that responsibility to some other municipal officer.

This person is the secretary to the governing body (city council). In the role of secretary to the governing body, this person is extensively involved in telephone work, preparing council meeting agendas, copying documents for distribution, drafting letters to constituents, completing mailings, and attending governing body meetings. The clerk is also the person responsible for maintaining recordings and minutes of meetings, retaining original copies of all ordinances and resolutions and ensuring that the ordinance book is current.

Staff of this office was comprised of the clerk, with one clerical assistant. The office is located on the second floor of the City Hall Annex. A conference room is adjacent to the clerk's office, and the director of community development also shares this space. This arrangement lends itself to the team's recommendation regarding the CD director also assuming responsibility for economic development, as detailed under the economic development section of this report.

The team observed the clerk's office numerous times and interviewed the clerk, and clerical personnel. The office seemed to be well run and organized and we observed a spirit of teamwork. The staff in the office frequently helped each other with assigned tasks. We

observed the staff responding quickly and courteously to people while telephone calls kept coming into the clerk's office. They either gave out requested information or directed the person, or the call, to the proper office.

The team also observed that the clerk was actually functioning as an ex-officio business administrator. She consulted frequently with all department heads and enjoys an excellent working relationship with the CFO/treasurer and governing body.

### **Recommendation:**

**Given the complexity of municipal government, it is becoming necessary for municipalities to rely on professional management on a daily basis. Since the city clerk in Salem is in effect the city business administrator, the team recommends that the clerk be given the dual title of clerk/administrator. This will provide the staff member with the official authority to act in this capacity. The additional cost of this action is detailed elsewhere in this report under the section titled personnel and human resource management.**

### **PERSONNEL AND HUMAN RESOURCE MANAGEMENT**

The city is a civil service community, which means that personnel policies should be consistent with N.J.S.A. 11A:1-1 et. seq. and N.J.A.C. 4A:1-1 et. seq.

The city has a long tradition of human resource administration being handled by the staff of the finance office. Following the retirement of the treasurer some years ago, the city has attempted to retain a degree of control with the treasurer, but the clerk has assumed some of the administrative functions. City staff has also relied on the city solicitor a great deal in the interpretation of labor issues, particularly those that could potentially become sensitive or litigated. The split responsibility has lead to a fragmented system of personnel and human resource management and as discussed in this section, appears to have resulted in "unofficial policies" being developed by various departments.

It was the team's observation that the city has a weak centralized system for the reporting of used leave time. Most departments maintain their own sick and vacation leave records and each department is responsible for general reporting to the city clerk's assistant at the end of each week. The team, upon review of in-house records, found many inconsistencies in the records for each department. The city clerk acknowledged that the reporting process was in need of some improvement and noted that there was an internal review in process.

Time was tracked by clerical support for most departments, although street department employees punch a time clock. We found this practice to be very undefined and maintained at the whims of the clerical support staff. As an example, the team heard many

complaints that the police department had an absenteeism problem. Following a review of attendance records provided by the clerk's office, it appeared that sick leave in the department was well within reason except for the clerical staff and the dispatchers. The team discussed police absenteeism with the chief of police. The chief indicated that the police officers call in sick to the dispatcher on duty who would then make a notation on the desk calendar. Those absences are then reported to the chief's secretary daily. The team was not able to recover these notes and was therefore unable to substantiate time and leave granted to police officers.

In general, it appeared that the fragmentation of responsibility for the human resource function leads to conflicting records and lack of oversight. It was the team's observation that the city clerk, and staff, would be a logical office for centralizing personnel functions provided the clerk was given sufficient authority to establish and enforce appropriate personnel policies.

Recommendation:

**The team recommends that all personnel and human resource management functions be centralized. A vital component of that centralization would include a redefinition of the role of the city clerk and upgrading the city clerk position to clerk/administrator. Another vital component is that the clerk/administrator be given the proper authority to oversee all personnel and human resource management matters. A third equally**



**important component is the clerk/administrator be provided sufficient training to advise on personnel transactions, discipline, in-house training, evaluations, and separations.**

**There are several benefits to the proposed centralization. First, all personnel matters would be coordinated. Second, as the clerk/administrator becomes increasingly informed and comfortable with all personnel and human resource management functions, reliance on the city solicitor would diminish, thereby saving the city legal fees. This centralization would also relieve the CFO/treasurer of some of the scattered responsibilities currently assigned him that are detracting from other statutory functions.**

**Value Added Expense: \$6,000**

It was also evident that department heads had a degree of autonomy in handling personnel needs and concerns but had little training, formal or otherwise, in supervisory techniques or record keeping. The lack of adequate training is particularly apparent relating to disciplinary action and proper documentation of violations.

**Recommendation:**

**The team recommends that all city department heads and upper level management undergo, at a minimum, supervisory training as soon as possible. It is recommended the city discontinue policies which allow for differential treatment of personnel and provide advanced supervisory training, training on progressive discipline, and standardized responses to specific personnel issues.**

**The team further recommends that management staff undertake review of civil service guidelines and progressive discipline to avoid potentially difficult personnel situations.**

Sick leave was defined in Salem under civil service guidelines. Generally, 15 days were granted annually. Vacation days were defined by contract and staff was generally granted between 13 and 26 days dependent upon length of service. In addition, the city provided for personal time as well as bereavement leave, which is discussed later in this section.

City records reveal sick leave to be minimal, however, we also found examples of overused sick time. In these situations, it appeared staff was allowed to borrow against future sick time allotments rather than use accrued vacation time. LGBR recognizes the need to accept unusual sick leave occurrences but does not condone borrowing of sick leave when vacation time is available.

**Recommendation:**

**Except in unusual critical circumstances, discontinue the practice of borrowing sick leave in advance, especially if not specifically provided for in the bargaining unit contract. If the borrowing of time is not specifically allowed, the city should comply**

**with provisions of N.J.S.A. 11A:6-5. Use of vacation leave to supplement sick leave might be evaluated on a case by case basis, but the practice of using unearned sick time should cease.**

The personnel and policy manual provides for notification of leave to the appropriate department head. The team believes the practice of department staff notifying clerical support personnel should cease and staff should be instructed to follow the procedure outlined in the manual.

**Recommendation:**

**The team recommends that a standard leave form be developed for use by every department. Optimally, that form would be an electronic platform, but at a minimum, a printed form is acceptable.**

**Civil Service Issues**

As already noted, the city is a civil service community. The team determined that there were 108 employees of the city: 35 unclassified employees (inclusive of the crossing guards), 69 classified employees, and 4 provisional employees.

At the time of the review, the total workforce reflected in New Jersey Department of Personnel civil service records was greater than that indicated in the data provided by city staff to the team. It would appear that a number of former employees remained on civil service records following actual termination or removal following temporary employment.

**Recommendation:**

**The team recommends that the city take appropriate action to update state records to accurately reflect the present workforce.**

The city had only four provisional employees reported during our analysis. Of these, there appeared to be one civil service matter of some significance involving the title of communications officer mistakenly submitted to the New Jersey Department of Personnel. The team assisted city staff in understanding the necessary corrective action to establish the correct title of public safety telecommunicator or public safety telecommunicator trainee to replace the incorrect title.

**Recommendation:**

**Currently, the CFO/treasurer, clerk or the city solicitor handle personnel matters and civil service issues. However, as previously discussed, the team recommends that all human resource management work be assigned to the clerk/administrator with limited input from the city solicitor. This structure will allow the CFO/treasurer to focus on financial issues while establishing a central point of contact for personnel related issues. This consistency in handling personnel concerns is needed to enhance uniformity and fairness in the handling and treatment of all municipal personnel issues.**

#### **POLICE DEPARTMENT**

##### **Overview**

Salem faces a challenging law enforcement environment. The city has experienced a dramatic reduction of its industrial base and suffered a corresponding loss of job opportunities. These circumstances have created a fertile setting for a variety of social ills. According to the 1997 Uniform Crime Report (UCR), Salem experiences a violent crime rate that is generally in excess of three times that of the county and of the state, as detailed below:

<b>Municipality</b>	<b>Crime Rate</b>	<b>Violent Crime Rate</b>	<b>Nonviolent Crime Rate</b>
Salem	76.7	15.3	61.3
Penns Grove	61.0	11.6	49.4
Carneys Point	27.1	1.9	25.2
Salem County	31.0	3.9	27.1
State of New Jersey	40.9	5.0	35.9

Payroll data for 1997 indicates that the police department was comprised of 46 staff members; 23 sworn officers and 23 civilians. Sixteen of the civilians were part-time crossing guards and one was a part-time custodian. All other staff of the department was full-time. Sworn officers consisted of a chief, four sergeants, and 18 officers, and a K-9 officer. The full-time civilian employees included two clerical support and four dispatchers. The department made several staffing changes in 1998, which are discussed below.

The team had a difficult time obtaining information regarding law enforcement activity in the city due to the lack of appropriately maintained records. The team visually observed numerous stacks of files and papers that were not properly filed in the chief's and the chief's secretary's offices, giving the clear impression of disorganization and general disarray. It appears that although the city does have a Computer-Aided Dispatch (CAD), it is not utilized efficiently and police department staff were unable to generate meaningful reports from the system.

N.J.S.A. 40A:14-118 requires that the chief report at least monthly to the appropriate authority on the operation of the force during the preceding month, and make such other reports as may be requested. As far as the team could determine, there were no routine, formal

reports to the council of this nature, although there did appear to be fairly regular meetings between the chief and the council person with police oversight responsibility.

Oversight of the department is provided by city council in the form of a public safety committee chaired by a council member. The city charter specifies that the mayor has direct administrative oversight of the police department, however, at the time of the review, it did not appear the council was complying with the charter. The team did, however, find that certain requests for information from the police department were referred to the council and sometimes to the mayor.

**Recommendation:**

The team recommends the city council abide by the city charter and have the mayor exercise oversight of the police department. Further, the council should establish a formal reporting process that includes, at a minimum, a monthly report be submitted by the chief, as required by N.J.S.A. 40A:14-118.

There have been attempts in the past to establish a director of public safety position. However, many problems occurred resulting from the efforts and it appears that neither city council or city administrative staff thought the position would be a viable option for the city.

Organizationally, the level of accountability in the department is mixed. While the team found many dedicated officers at all levels in the police component of the department, other observations indicated a lack of accountability for behavior. Further, it was noted that the departmental rules and regulations have not been updated for several decades. There did not appear to be any written guidelines establishing a mission statement, procedures, acceptable practices, appropriate uses of police vehicles, acceptable situations warranting overtime, appropriate tracking of leave time, etc., as they relate specifically to law enforcement functions. The lack of clear guidance and administrative oversight needs to be addressed.

In general, the department appears to be disjointed, caught up in the day to day activities without being able to focus on the larger picture.

**Recommendation:**

**Acknowledging that the team cannot dictate what amounts to a basic philosophy of an organization, and acknowledging that defining a mission, goals and objectives of a department are complex, it is our recommendation that the police department go through a strategic planning process issuing a clear mission statement with goals and objectives for its police and civilian personnel. As support to this basic philosophy, the team suggests that the city send a designated representative of the police administration to a policy workshop with the New Jersey Division of Criminal Justice (DCJ) as the first step in developing a more professionally managed police department.**

**The team also recommends along this line, that the city develop rules and regulations reflecting generally accepted modern police procedures.**

**Staffing**

The city has not requested or had performed a DCJ staffing analysis any time in the verifiable past.

According to information provided by the chief, the complement of sworn officers changed slightly during 1998 when one of the sergeants was promoted to lieutenant and two officers served as sergeants. There was also the addition of one officer. The current organizational table is reflected in Appendix A.

A workload method analysis of the sworn officer staffing level was undertaken to determine the proper number of officers needed to patrol the city. According to the workload method which utilizes the number of calls for service handled (10,800 during 1997, as reported by the dispatchers and provided by the chief), average consumed time per call, and a standard work year of 2,080 hours, a maximum of 16 officers, including sergeants, are needed to patrol the city. During 1998, the city had 23 sworn officers. However, of those 23, there are two detectives who were not routinely scheduled for beat patrol, and two sergeants who serve as the primary supervisors during the evening and early morning shifts. Also, one patrolman from the power shift performs in a supervisory function about half of the time, therefore, there were about 18.5 officers available for beat patrol. Therefore, based on the analysis, it appears the city was overstaffed by approximately 2.5 uniformed officers.

The police enforcement component of the department consists of four squads (A, B, C, and D) plus a power shift. A sergeant, two officers and a dispatcher staff each squad. A senior officer supervises the power shift. The shift rotation schedule is seven days on, two days off, seven days on, two days off, seven days on, and three days off with an additional day off (D-day) during the month at the discretion of the chief.

However, as noted in the overview, the city has the highest crime rate in Salem County and has a violent crime rate that is 200% greater than the state average, therefore it is not practical that the team suggest reduced staffing levels for the department. The team did though note several issues relating to the current staffing configuration, as described by the chief and other staff, which should be addressed.

There were many occurrences when the team was unable to contact the chief during regular business hours, which is when he was reportedly working. Department personnel indicated that direct contact with the chief was infrequent. It appeared to the team that the apparent lack of accessibility of the chief affected overall discipline, morale and performance.

Members of council, with the exception of the public safety chair, indicated displeasure with the chief's management style and his limited availability. It was the team's observation that although these issues were apparent from the time of the team's initial visit, the city was doing little to address the issues. City council did reorganize oversight responsibilities on council. The team also noted that during the course of the review, some disciplinary actions were taken by the city.

Day-to-day administrative responsibilities now fall within the duties of the lieutenant. As a routine, the lieutenant is scheduled to work days. He has been given operations responsibility and is on call most of the time, as is the chief. During evening hours, one of the sergeants is in charge. The current police function-staffing configuration has four squad sergeants, the detective sergeant, the K-9 officer and the power shift reporting directly to the lieutenant.

The team believes that there are several issues that need to be addressed regarding management, administration and command and control of the police department. The team found the absence of ranking personnel on duty during the afternoon/evening and night shift, the hours when most crime was reported. This lack of command personnel, during critical times, leaves the municipality and police personnel open to liability, or the risk of personal injury. In addition, the lack of administrative oversight, as discussed earlier in this section and in the personnel and human resource management section, needed to be addressed. It appeared to the team that flat organizational structure of the force was one of the primary reasons for the perceived inadequacies in management, supervision, and administration.

The team believes that it is appropriate that command responsibility resides with a lieutenant. This position would be best utilized during the time when most crime occurs in the city and, therefore, a time period when the officers need accessibility to command personnel to be a solid first step in addressing some of the concerns.

**Recommendation:**

**The team recommends that the lieutenant work the 3:00 p.m. to 11:00 p.m. shift. One suggestion for filling that lieutenant position would be to promote a sergeant, which would lead to additional salary costs of approximately \$4,000.**

**Value Added Expense: \$4,000**

The moving of the lieutenant position to a later shift raises the issue of responsibility for day shift command and control as well as administration. The establishment of a captain's position, which could be scheduled for the dayshift, could accomplish oversight of internal operations, general administration and logistics, formulation and implementation of departmental policies, and oversight of the departmental budget. The team envisions the lieutenant and the detective function reporting directly to the captain.

**Recommendation:**



**The team recommends that the position of captain be created. The captain position would provide for a clear and definitive chain of command for the police department and the public. The team estimates that a fair compensation for such a position would be approximately \$58,000. If promoted from within, the additional cost to the city for filling the captain position would be about \$3,000. The city could reconsider the necessity of the captain's position should the chief's position be redefined to provide for a strong daily oversight of the force and administrative functions of the department. However, the city must still recognize the necessity of adequate supervision of personnel being available.**

**Value Added Expense: \$3,000**

The current police function configuration has a detective sergeant overseeing the work of a clerk typist and one officer serving as a detective. The team's recommended configuration includes having the detective section report directly to the captain and the clerk typist serving as a clerk receptionist reporting to the lieutenant. Rather than having a staff member in a

sergeant's position overseeing only one officer, the team believes that both detectives should be officers, assigned to detective work. The clerk/receptionist would also be responsible for filing and records management.

### **Recommendation:**

**The team recommends two officers, assigned detective reporting directly to the captain, staff the investigation function. The use of two officers, rather than a sergeant and one officer, would generate marginal savings in position values, depending on the officers assigned. The creation of a captain and subsequent promotions would also negate the need for any additional promotions to sergeant.**

### **Operations**

It appears to the team that the current rotation is adequate. However, there are some very real issues regarding low morale, and the team heard several reports of excessive use of overtime and sick leave.

Although the current rotation appears to be adequate, city council may want to explore the feasibility of implementing one of the alternative scheduling options. The team believes that changing the schedule would raise the morale of staff.

The first option involves retaining the current 7-2, 7-2, 7-3 schedule. Currently, shifts A, B, C, and D, consist of two officers and a sergeant. In addition, there is a "power shift" consisting of five officers and a K-9 officer. The purpose of the "power shift" is to have officers available to fill in as needed, particularly during the weekend. The team believes that the personnel on the "power shift" would be better utilized if they were assigned to regular shifts, thereby reducing the reliance on sick leave and providing stronger coverage, particularly during the evening hours. One officer can be assigned to each squad, with either two officers assigned to the 3:00 p.m. to 11:00 p.m. shift, or one officer assigned that shift and one being kept flexible to fill in as the workload requires. In all scenarios, the K-9 officer's schedule should be kept flexible, as workload permits. The proposed table of organization labeled Option 1 & 2 (Appendix B) reflects the staffing configuration under this scenario.

The second option is to change to a conventional eight hour 5-2 (days on/days off) schedule. As with the current configuration, an advantage is that officers are permanently assigned to a shift and the department has flexibility to staff a shift to specifically meet a given demand. Also, it would eliminate the need for the monthly D-day. This configuration also disburses the power shift staff, as discussed above. The proposed table of organization labeled Option 1 & 2 reflects the staffing configuration under this scenario.

The team attempted to analyze sick leave records. However, the current practice has the officers call into the dispatcher to report out sick. The dispatcher writes down on his calendar that the officer is out. The team was unable to find any documentation that would

either confirm or conflict with the personnel records as reported to the city clerk's office. Appropriate maintenance of leave records citywide is addressed in the personnel and human resource management section of this report.

The team noted the infrequency of which officers were seen walking foot patrol and patrolling the community, particularly in the commercial area and in the areas of high crime incidence. It was the team's impression that there was not a strong police presence in the community.

#### **Recommendation:**

**The council and city administration could promote additional foot patrols in high crime areas and the business district to satisfy merchants, community groups and the taxpayers. The perception of police presence would be enhanced if officers were seen on patrol on a more frequent basis. The K-9 officer could also be assigned for foot patrol to enhance the police presence, particularly in the neighborhoods that have been identified as high crime areas.**

Overtime costs for officers and sergeants during 1997 was over \$70,000, although the chief noted that overtime decreased following the application of the "D day" concept in late 1996. According to information provided by department staff, there were 900 hours of "general overtime." The chief indicated that much of the "general overtime" was because of Sunday through Tuesday coverage during shift transitions, officers staying after their shift to complete reports, detectives responding to calls when off duty, special events and general crowd control, and coverage required during court sessions when most or all of shift is at the court proceedings.

General overtime accounts for 51% of the total cost of all overtime. The team believes that implementing the recommendations noted throughout this section could reduce costs associated with general overtime. In addition, issues of overtime relating to court sessions are addressed in the court section of this report.

There are two additional recommendations aimed toward reducing overtime. Currently only one officer does fingerprinting of suspects. Providing training for other officers would eliminate the need for that one officer to do all fingerprinting. Secondly, the department could hire special police officers, on an hourly basis, to provide a police presence at special events and for crowd control.

#### **Recommendations:**

**The team recommends that additional officers, at a minimum one from each squad, be trained in the proper procedures for fingerprinting. In addition, the department should explore the feasibility of hiring special law enforcement officers under N.J.S.A. 40A:14-146.8 et. seq., a governing body may appoint special law enforcement officers to perform the duties and**

**responsibilities permitted by local ordinance authorized by**

**N.J.S.A. 40A:14-118 within the conditions and limitations established. These special police officers may provide a police presence at special events and for crowd control, as appropriate.**

**The 1997 average hourly rate for a city police officer is approximately \$18, plus benefits. A reasonable hourly salary for a special officer is \$7.50 per hour and no benefits. Therefore, for every hour a special officer provides coverage for a community activity or court session, the city would have a productivity enhancement of, at a minimum, \$10.50 plus benefits if overtime is not involved. It is the team's understanding that since discussions with the chief, the city has moved ahead with the appointment of special officers.**

**Implementation of all of the recommendations in this section, including the reorganization, could result in significant reductions in general overtime. If a 25% reduction in general overtime for the officers and sergeants were realized, there would be a savings of \$17,500.**

**Cost Savings: \$17,500**

There are four municipalities near Salem which do not have a local police force. Those municipalities are Mannington (1990 population of 1,693, encompassing 34.8 square miles), Quinton (1990 population of 2,511, encompassing 24.2 square miles), Elsinboro (1990 population of 1,170, encompassing 12.3 square miles), and Alloway (1990 population of 2,795, encompassing 32.8 square miles). All of those communities have coverage provided from the state police and at least one has an inter-local service agreement with Lower Alloways Creek. Based on discussions with the county 9-1-1 coordinator and the county chief 9-1-1 operator, some of those communities noted that while the state police did provide the needed police protection, other benefits of localized police protection were lacking. It should be noted that the city has a "sending school" relationship with some of these municipalities, therefore an established, cooperative relationship exists.

#### **Recommendation:**

**The team encourages the governing body to establish an inter-local service agreement with at least one or two of those municipalities for police coverage. The establishment of such an agreement would benefit the city as well as the neighboring municipalities. In return for an agreed upon fee, the city's police department could provide enhanced response time for police calls, as well as limited patrolling, and the city would benefit by receiving a fee that would offset the salary cost of at least one officer. Because of the staffing analysis that indicated that the city police department was not understaffed, the team believes that this service can be provided without negatively impacting police protection for the residents of the city. The team conservatively estimates that potential revenue generated from this could reach or exceed the cost of one officer's salary, or approximately \$30,000. In addition, it may qualify both the city and receiving municipality for additional incentive funds**

**being made available from the state. Prior**

to or concurrent with the implementation of this recommendation, the city should address and resolve all issues regarding scheduling and staffing, take definitive and aggressive steps to reduce crime, increase the “comfort level” of residents and business owners, and reach a resolution of the dispatching issue covered later in this report.

**Revenue Enhancement: \$30,000**

### **Burglar Alarms**

According to the chief, there were approximately 850 burglar alarms sounded during 1997. At present, there is no ordinance pertaining to the registration of, and police response to alarms for city residences. Several neighboring communities in Salem, Gloucester and Cumberland Counties have alarm ordinances which fine homeowners and industrial users for excessive and/or unwarranted alarms. Many communities differ on both the fine amount and the number of false alarms permitted, but such a policy could cut down on false alarms and add a degree of accountability to the homeowner and businessman which has proven acceptable in other neighboring municipalities. The number of actual alarms that exist in Salem currently is unknown, although a neighboring community that has had an ordinance in place for many years reflects that approximately 4% of the population have alarm systems. If this standard were applied to Salem the team estimates that there are approximately 275 alarms systems currently installed. Should the ordinance require a registration fee of \$15 per year, approximately \$4,125 would be generated a year. An additional advantage to the property owner and the police for such an ordinance is that data would be immediately available to police or fire personnel in the event of an emergency.

### **Recommendation:**

The city governing body could adopt an alarm ordinance that includes penalties for false alarms. The team has conservatively estimated that an ordinance establishing a \$25 fee for second false alarms, assuming that 10% of all alarm calls are repeat false alarms, could generate \$2,125. An annual registration fee of \$15 would generate \$4,125 in additional income. The ordinance should be drafted in compliance with N.J.S.A. 2A:58-10 et. seq. “summary proceedings for collection of penalties.” This should be considered to minimize the time spent in court by police officers issuing the citations.

**Revenue Enhancement from Penalties: \$2,125**

**Revenue Enhancement from Registration: \$4,125**

### **Dispatching**

The city employs four police dispatchers who rotate among the squads to provide 24-hour coverage. The city dispatch serves as a public safety dispatch point for the city as dictated in the 1989 law establishing public safety telecommunications standards.

The collective total position value of the four dispatchers during 1997 was \$145,126, which includes salary, certain stipends, health benefits, pension, social security, and Medicare. There was an additional \$11,579 paid for dispatcher overtime. Based on information provided by city staff, there appears to have been slightly less than 11,000 total calls handled by the dispatchers during 1997. By comparison, a benchmark utilized by LGBR in other reports is that a typical county dispatcher answers approximately 11,051 calls per year. Using this ratio, a city dispatcher works at approximately 25% of the capacity of a typical county dispatcher.

Salem County operates a 9-1-1 center that is physically located in the Township of Mannington. The county 9-1-1 center meets the criteria to be both a public safety answering point and a public safety dispatch point. Currently, the county 9-1-1 center is serving as an answering point for the city's police department, transferring some 1,300 calls to the city dispatchers. In addition, the county 9-1-1 center is already dispatching emergency medical service and fire emergency calls for the city.

Recent negotiations between the county and Pennsville Township, a neighbor to the north of Salem, resulted in the county assuming responsibility for the township's dispatching. It should be noted that Pennsville has nearly ten times the landmass of Salem, a little more than twice the population, and has a larger police department. Changing the dispatch over to the county 9-1-1 center was not a simple process but it appears to have been undertaken successfully.

Discussions between the team and the county did not result in any definitive conclusions, but it was evident that the Pennsville experience could be duplicated for Salem City if additional revenues were made available to the county center. The team however, points out that Salem City residents and property owners are also an integral part of, and taxpayers to, Salem County. County personnel also raised some concerns regarding their own staffing levels, equipment, and buildings, but did not say negotiations were impossible, especially in light of potential improvements to the 9-1-1 center in Mannington. The county staff also raised issues regarding the number of potential calls relative to city's crime rate. However, upon final analysis, LGBR came to the conclusion that these concerns could be overcome through open and honest governing body discussions designed to serve both the taxpayer of the city and the county. As a partner to the city, the county can act as a catalyst for change, helping the city enhance its services with a modern and effective telecommunication network designed to make the all emergency services more effective.

### **Recommendation:**

**Following a successful assimilation of Pennsville's dispatching needs into the county 9-1-1 operations, the team recommends that the city enter into negotiations with the county to have all telecommunications emanate from the county center. This would result in a reduction of four dispatch positions, although one or more may be picked up by the county operation. This**



**recommendation assumes that the negotiations between the city and county will be forthright, designed to accommodate citizens of the city who are also county taxpayers.**

**Cost Savings: \$156,705**

## **Financial**

According to payroll data compiled by the team, the total position value for all department staff during 1997 was \$1,475,368, which includes salary, health benefits, pension, stipends, social security and Medicare. Of the approximate \$1.5 million, \$1,158,406 was for uniformed officers. In addition, the 1997 budget shows an allocation of \$97,000 for other expenses.

During 1997, the total position value for the crossing guard function equated to \$90,903. All sixteen of the crossing guards were part-time and not eligible to receive health benefits.

The department spent approximately \$14,000 for parts for its six vehicles during 1997. As with other municipal vehicles, the mechanic in the street department coordinates maintenance and repairs. As discussed under the street department section of this report, there is no computerized system currently used to track maintenance and repairs, therefore it is extremely difficult to determine associated costs. However, the team was able to analyze available expenditure information.

Interviews with the chief and the mechanic revealed that the mechanic is called during off-hours when there is a problem with a vehicle. The problem can be as minor as a flat tire. Because the mechanic is paid a minimum of three hours of “call-in” time each occurrence, this practice can become costly to the taxpayer.

## **Recommendation:**

**The team recommends the city end the practice of calling in the mechanic for emergency overtime for vehicle repairs unless public safety is immediately threatened and another vehicle is not available, which is not likely with a fleet of six vehicles and three or four person squads. The police could have the vehicle towed to the maintenance garage where it would be worked on during normal business hours.**

The chief indicated that most cars are taken out of police service after 100,000 miles on the odometer. The vehicles are then utilized by other departments or sold at auction.

During 1997, the city paid \$16,121 for the purchase of uniforms, which equates to approximately \$671 per officer.

## **Recommendation:**

**The team recommends that the city adopt a uniform replacement policy similar to the one utilized by the New Jersey State Police (NJSP). The program is called the Quartermaster System. The approximate cost per trooper in 1997 was \$300. If a**

**supervisor feels the trooper needs a new shirt, pair of trousers, etc., a requisition is issued to the trooper who submits it to their quartermaster. The old garment is traded into the NJSP when the new item is issued.**

**Potential Cost Savings: \$8,921**

The 1997 police other expense budget also included some of the cost for upgrades to communications equipment that was undertaken some three years earlier. The CFO/treasurer was unable to identify the nature of the upgrades; however a review of equipment upgrades and the identified costs illustrate that a significant amount of telephone equipment was upgraded with the expenditures allocated over three to four year period. The team questions the practicality of paying for this type of an upgrade out of the other expenses rather than including such an upgrade in a capital plan.

In addition, the team noted that over \$12,000 was paid for telephone bills during 1997 which is certainly greater than routine billing expected for a police department. The team reviewed a sample of the bills and found a high percentage of the toll calls to be to private residences outside of the city. As discussed under the transportation section of this report, telephone bills should be reviewed monthly and staff should be required to pay for all personnel telephone calls.

**Recommendation:**

**Telephones are provided to employees for work related activities. Records should be kept of all personal phone calls and each employee should be required to reimburse the city for all personal calls each month. After review, if only 20% of the calls were personal business and the police department staff reimburse the city for those costs, there would be a savings of \$2,400.**

**Cost Savings: \$2,400**

The team also discovered that there were six telephone trunk lines terminating at the police station but then connected via dedicated line to the municipal building. This configuration results in additional costs exceeding the normal per line charge by approximately \$2,600.

**Recommendation:**

It is recommended that these lines be connected through direct routing to the city hall annex rather than the dedicated lines, for an annual savings of approximately \$2,600.

**Cost Savings: \$2,600**

As discussed under the Collective Bargaining Issues section of this report, officers are given a \$123 allowance to help pay the cost of telephone service at their residence. The team believes this benefit to be an antiquated one that should not continue. Cost savings of \$2,706 for discontinuance of this practice are included in the Collective Bargaining Issues section.

### **Bulletproof Vests**

The police contract states that the city shall pay for one bulletproof vest for each sworn member of the police force once every five years.

In 1997, the DCJ instituted a Body Armor Replacement Program. One dollar from certain traffic tickets is collected by the state and funds are distributed back to the municipalities to fund the purchase of bulletproof vests.

Each municipality that submits a grant application can potentially receive annual funds to purchase vests for one-fifth of their complement of full-time, sworn officers, if enough funds are available. It is believed that the Body Armor Replacement Program should cover the costs to replace three to four vests per year.

As far as the team could determine, the city did not take advantage of the program and did not apply for the grant.

### **Recommendation:**

**It is recommended the city apply for vest replacement costs from the Body Armor Replacement Program funds. Should the city be successful in obtaining funds to replace the vests for one-fifth of the force each year, the city could receive approximately \$2,000 (approximate cost of four vests).**

**Revenue Enhancement: \$2,000**

## **PLANNING AND ZONING**

### **Planning**

The planning board is comprised of eight members plus a chairman, and meets monthly when there is business to be conducted. The city attorney and engineer attend planning board meetings. Clerical support is provided by the secretary from the street department who is paid a stipend of \$75 per meeting. As part of her planning board functions, the secretary provides applications upon request, receives completed applications and collects fees. The attorney is paid \$325 per meeting, or \$3,900 per year. During 1998, the board received eight applications and revenues of approximately \$1,100.

According to the CFO/treasurer, the city appropriated \$10,000 for planning in 1998 but only expended \$7,000. As previously noted, the city collected only \$1,100 in fees. Upon reviewing payment vouchers, the team determined that nearly \$6,000 was paid for the attorney and secretary. In addition, the team noted that environmental commission activity was charged against the planning budget. The team calculated that the cost of the planning function to the city was \$5,900 in 1998, which equates to the city supplementing the planning function \$738 per application over and above what the applicants paid.

### **Zoning**

According to the zoning officer, the zoning board met only twice during 1997 and collected \$1,200 in fees. The zoning board has seven members and meets at the call of the chairman. In addition to a part time secretary, an attorney, with whom the city contracts, was paid \$110 per meeting.

According to the CFO/treasurer, the city budgeted \$3,150 for operations in 1998. However, only \$2,459 was expended. Therefore, the cost of the zoning function above what was paid by applicants was \$1,259, or \$630 per application.

### **Recommendation:**

**It appears the planning and zoning functions were a burden on the municipal budget for 1998, costing the taxpayers approximately \$7,159. State statute allows for municipalities to combine planning and zoning board functions under one board. The city may want to consider the feasibility of combining the boards based on the low number of planning and zoning applications, the cost of the functions, and the infrequency of zoning and planning board meetings. By combining the planning and zoning boards, the services of only one solicitor and one secretary would be required. The team further suggests that the attorney fees for the combined board be consistent with the fees paid the zoning board attorney, or \$110 per meeting with no minimum payment amounts.**

**The team will conservatively estimate the savings to be the cost of one secretary (\$900), the difference between paying the attorney \$325 versus \$110 for only meetings held (\$3,020), and the cost of the zoning board attorney (\$220).**

**Cost Savings: \$4,140**

## **PUBLIC LIBRARY**

### **Staffing/Organization**

The Salem Free Public Library is located in a building that was built in 1885 and has been dedicated solely for library purposes since that time. The predecessor to the library, the Library Company of Salem founded in 1804, was the second established library in New Jersey. The library and surrounding area are located in the Broadway Historic District, which is comprised of nineteenth century commercial and residential buildings. The city has recently entered into a 50-year lease with the Library Board of Trustees with rent assessed at one dollar per year. The lease was adopted as a means to assist the library in obtaining a matching grant from the New Jersey Historic Trust for substantial exterior renovations to the existing building.

The city's library is the only free public library in Salem County. In addition to the Salem Library, there are four association libraries; a library at Salem County Community College; and the county book mobile run by the Salem County Library Commission. According to the county book mobile librarian, the book mobile is used primarily to get books to shut-ins. As far as the team was able to determine, the county does not have plans to expand the book mobile or establish a permanent Salem City Library facility. The county book mobile rents space in the basement of the library for \$1,200 a year.

In practice, the library, under the direction of the Library Board of Trustees, operates as a semi-autonomous entity, performs its own purchasing, contracting, banking, investing and budget functions. The payroll functions are performed centrally by the municipality. During fiscal 1997, the library had 14 full and part-time employees, 13 of who were on the

municipal payroll and one was paid by county work training funds. Due to resignations, the library staff has since been reduced to nine employees. The director was anticipating the resignation of two additional staff members during 1998.

The library has had some success in getting volunteers to work. Volunteers worked 373 hours during 1996 and 458 hours in 1997.

The library does not have a current written patron policy, meeting space use policy, or materials selection policy available for public review. In addition, as of the drafting of this report, there is not a current written personnel policy manual and the board of trustees has no written by-laws.

### **Recommendation:**

**The city should consult with appropriate legal counsel to ensure that it is in compliance with N.J.S.A. 40:54-8 in regard to the payment of funds to the treasurer of the library. This would be of particular concern as it relates to the payment of salary and wages to library employees by the city.**

### **Patronage and Circulation**

**Generally, the library is open a total of 34 hours per week, 10:00 a.m. until 8:00 p.m. Tuesday and Thursday, Wednesday 1:00 p.m. until 8:00 p.m., Friday 1:00 p.m. until 5:00 p.m. and Saturday 10:00 a.m. until 1:00 p.m. The library is closed on Sundays and Mondays.**

The director provided a statistical report that included information on new members. Approximately one-third of the newly registered members of the library are not city residents and therefore they do not pay city municipal purpose taxes. The membership fee is \$15 for county residents and \$25 for non-county residents.

**The following table summarizes key circulation information as provided in the 1997 New Jersey Public Library Statistics and Analysis:**

	City of Salem	Libraries Serving a Population Between 5,000 and 7,499	Salem Compared to Population Group	Libraries with Expenditures Between \$100,000 and \$149,999	Salem Compared to Expenditure Group
<b>Volumes: Owned</b>	<b>50,539</b>	<b>32,140</b>	<b>157%</b>	<b>29,424</b>	<b>172%</b>

<b>Per capita</b>	<b>7.38</b>	<b>5.09</b>	<b>145%</b>	<b>4.94</b>	<b>149%</b>
<b>Circulation:</b>					
<b>Total</b>	<b>18,702</b>	<b>42,134</b>	<b>44%</b>	<b>30,287</b>	<b>62%</b>
<b>Per Capita</b>	<b>2.7</b>	<b>6.6</b>	<b>41%</b>	<b>5.6</b>	<b>48%</b>
<b>Per Hours Open</b>	<b>11</b>	<b>18</b>	<b>61%</b>	<b>15</b>	<b>73%</b>
<b>Per Volumes Held</b>	<b>0.4</b>	<b>1.2</b>	<b>33%</b>	<b>1.2</b>	<b>33%</b>
<b>Per FTE</b>	<b>4,453</b>	<b>11,234</b>	<b>40%</b>	<b>10,770</b>	<b>41%</b>

Note that the library owns 50,539 volumes or 7.38 volumes per capita. The comparative data indicates that the average number of volumes held for libraries with similar expenditures and serving similar populations was 29,424 and 32,140 respectively. The director indicated that weeding had not been a priority in the past but she is now in the process of weeding through the volumes. She anticipates weeding about 10,000 of the volumes held by the library.

#### Recommendation:

Library staff should continue to discard books that are no longer relevant, out-of-date, or in poor condition. Based on the number of volumes held by comparable libraries and the estimate of the director, the library could conceivably weed between 20% to 40% of its existing stock, freeing much needed space. Books in good condition can be donated to the school district, community college, sold at used book sales or recycled.

**Each volume circulated .4 times. By comparison, each volume circulated 1.2 times in other libraries with similar expenditure and population groups. The per capita circulation rate was 2.7. Similar expenditure group per capita circulation was 5.6 and population groups were 6.6.**

While the number of volumes held by the library is significantly greater than similar libraries, both the circulation rate per volume and per capita is very low. The circulation rate per hour open is also only 61% of the similar population average and is 73% of the statewide average of libraries with similar expenditures. Information available regarding the association libraries in the county indicates that those circulation rates are also significantly low compared to comparable state averages.

The team visited the library several times and noted that there were only one or two patrons using the facility during any of the visits.

#### Financial



As discussed, the predominance of the cost of the operation of the library is borne by the taxpayers of the city and by contributors to the free public library. Neither the county nor any other municipalities provide funds to the city for the cost of operating the library.

<i>Revenues-1997</i>	
<b>City contribution</b>	<b>\$85,000</b>
<b>State allocation</b>	<b>6,571</b>
<b>County Library Commission</b>	<b>1,200</b>
<b>Membership fees</b>	<b>2,430</b>
<b>Private donations and interest</b>	<b>19,158</b>
<b>Grants</b>	<b>3,142</b>
<b>Fines and fees</b>	<b>1,060</b>
<b>Miscellaneous</b>	<b>1,511</b>
<i>Total Revenues</i>	\$120,072
<i>Expenditures-1997</i>	\$113,712
<i>1997 Balance</i>	\$6,360

A review of the municipal budget indicates the municipal allocation for the library was \$85,000 for 1998 and 1997, \$75,000 for 1996 and \$85,000 for 1995. While the municipal allocation for 1996 appears to be less than in other years, the city supplemented the \$75,000 by paying property and casualty insurance for the library.

**While payroll processing is performed centrally with the city payroll function, the library is responsible for all operating costs including salaries, utilities, cleaning, light maintenance, postage, supplies, materials, health insurance, prescription benefits, pension, social security, and Medicare.**

Library and city central administrative staff is commended for tracking the expenses of the library so that all costs associated with library operations are quantifiable.

Data contained in the New Jersey Public Library Statistics annual reports indicates that revenues available for library expenditures has decreased significantly since 1992, from \$154,854 in 1992 to \$120,348 in 1997. While the amount of total income for 1997 differs slightly from the amount provided the team from library staff, the difference is not significant. The decrease represents a reduction in revenues of 22% over a six-year period while expenditures decreased 13%. During the same period, expenditures for salary and wages decreased by 10% and library materials by 42%.

**The state-mandated one-third of a mill contribution for fiscal 1998 was \$43,937, \$41,063 less than the \$85,000 actually provided by the city to the library. State statutes governing the operation of public libraries require that the municipality provide a sum equal to one-third of a mill on every dollar of assessable property for operations of the library. Decisions regarding the expenditure of the funds required to make up the one-third of a mill are exclusively within the province of the library's board of trustees. However, also by statute, the governing body of the municipality can make determinations as to how funds allocated in excess of the one-third of a mill are to be expended. To the extent the city council elects to provide more than the required one-third mill for library purposes, the city council has the authority to determine the purposes for which such additional monies could be expended. Therefore, statute provides city council the latitude of determining how the additional \$41,063 allocated by the city can be spent. It appeared, based on interviews with staff, that city council is not currently exercising this statutory privilege.**

Recommendation:

The council should be aware of its statutory authority and work closely with the board of trustees in determining the best use of the allocation provided the library.

**The mayor has the authority to appoint members to the library's board of trustees. There is also a council liaison that serves in a cooperative-advisory position to the board. However, it appeared that the library operates very independently of the city, to the point that the library was not included in the introductory meeting with the team because it is seen as a separate operation.**

**The library received \$17,814 in donations and \$665 in memorials during 1997. In addition, the library has substantial endowment accounts which had a 1997 closing balance \$98,356. Funds from this account are used to purchase equipment and items for the library of a lasting nature, such as a typewriter. The board of trustees is also considering using funds from this account as matching funds for the historic trust funds.**

### **Capital Improvements**

The library has three construction projects planned. The first is restoring the exterior of the building to its original condition. The second project is bringing the interior of the building up to code compliance. The third project involves adding a wing to the building.

The library was recently awarded a New Jersey Historic Trust Fund grant of \$160,000. The funds, which the municipality is required to match dollar for dollar, are to be used for restoration of the outside of the library to its 19<sup>th</sup> century condition. The outside restoration is expected to cost approximately \$320,000. During the initial interview with the library director, it appeared that the

intention was for the library to secure a loan, independent of the municipality, to meet the required match. A review of the board meeting minutes confirms that the library, independently of the municipality, applied for, and was approved for, a loan from a private lender. However, as an arm of the municipal government, municipal libraries are not permitted, by statute, to incur debt.

It was apparent to the team as discussions ensued that all involved, including the library staff, board of trustees, central city administrative staff, and city council, were unaware the municipal library could not take a loan independent of the governing body. As of the drafting of this report, some of the confusion has been dissipated and the board of trustees, in cooperation with the city council, is working toward defining the appropriate scope of the project and identifying matching funds. In addition, the state staff person now overseeing the project has returned the grant agreement that had been signed by the board of trustees to the city for review, approval and signature of the governing body. The source of potential matching funds is being considered in the context that the city also received the \$120,430 historic trust grant for phase II of the city hall renovations with a required match of \$120,430 during the same round of grant awards.

The conceptual budget for the library restoration estimates the cost of construction at \$316,134. That estimate does not appear to include a contingency for unanticipated costs. Conservatively, a 10% contingency needs to be included in the project cost, although twenty percent is the generally accepted contingency, particularly for a historic building. There is also a risk of an additional cost to the city in order to comply with the current rehabilitation requirements contained in the New Jersey Uniform Construction Code.

The team has several serious concerns regarding the commitment of the city to pay for at least \$160,000 in renovations for the outside of the building. As noted under patronage/circulation, circulation is very low in relation to comparable libraries throughout the state. The space within the library itself is insufficient to support the library purposes and could be a contributor to the low circulation rate. Also, the library does not have adequate space to create a computer usage area nor does it appear the board of trustees' sets as a priority providing widespread computer access to patrons or for library management systems, including computerizing the card catalogs. In fact, the director noted that one reason the computers obtained through a grant program had not yet been hooked up was space limitations. In addition, the library is not ADA compliant, there is inadequate restroom facilities, funds spent on materials are lower than comparable municipal libraries and the hours open are relatively low.

### **Recommendation:**

**The team strongly recommends the library board of trustees, in conjunction with the city governing body, reassess the priorities of the library. In addition, the city council, with citizen input, should reassess the fiscal practicality of the City of Salem providing library services for the county. Options to be considered include:**

Open negotiations with the county to have the library funded as a regional/county free public library, which is in fact the purpose it is currently serving. The library building could be sold to the county for one dollar or maintained by the city as part of the negotiations:

- **Negotiate with the county college to have the community college become the library source within the city. The county college currently has a satellite branch in the downtown area that may possibly be used as a library area for city residents. All materials can be donated to the county college library. The team visited the county college library and interviewed the director of the library. The facility was large, thoroughly computerized and appeared to be well stocked. According to the director, the county college library spent \$52,000 during 1997 for books and periodicals, which provides a substantially wider and more current range for users. However, the county college is not currently used or stocked as a popular reading library so this option would need strong support from the county college administration. The city may want to consider selling the building to the county college for one dollar to use for college purposes; and/or**
- **Close the municipal library altogether and donate all materials to the school district media centers.**

**Realizing that implementation of any of the above recommendations would probably require that the city continue to contribute toward a regional library, the team conservatively estimates that the city can realize approximately a 50% saving in the first year. Additional savings would be realized in the out years, as details such as transfer of trusts, relocation of materials, and legal interpretations are completed. In addition to savings for operations, the \$160,000 in historic trust renovations would not be an obligation of the city.**

**Cost Savings: \$42,500  
One-time Cost Savings: \$160,000**

## **PUBLIC WORKS**

### **Street Department**

At the time of the review, functions associated with park maintenance, streets and roads maintenance (including brush pick-up and leaf collection), street sweeping, vehicle maintenance, public buildings and grounds maintenance and repair, and center city maintenance were performed by personnel of the street department. Officially, the streets department reported to the councilperson assigned street responsibility however, on the day to day basis, the street supervisor interacted with the city clerk and/or CFO/treasurer.

During 1997, there were eight full-time and three part-time employees in the street department along with two inmates who primarily washed vehicles and did projects around the streets garage one day a week.. The superintendent position has been vacant since June

1997. The former equipment operator who assumed the supervisory responsibilities manages the daily operations and makes work assignments. Appendix C shows the current organizational structure.

The following is a summary of the department's total expenditures for the past three years obtained from the city's budgets:

<b>Expenditure Category</b>	<b>Expended 1997</b>	<b>Expended 1996</b>	<b>Expended 1995</b>
Road Repair & Maintenance			
Salary and Wages	\$197,856.10	\$195,495.34	\$180,971.97
Other Expenses	64,126.41	65,433.68	68,575.56
Snow Removal			
Salary and Wages	\$3,165.04	\$4,179.43	\$2,325.43
Other Expenses	760.31	2,744.80	2,039.29
Street Cleaning			
Salary and Wages	\$33,304.60	\$31,497.45	\$32,020.45
Other Expenses	3,935.61	6,454.89	4,469.43
Sanitary Landfill			
Salary and Wages	\$48,848.41	\$48,339.14	\$46,630.91
Other Expenses	88,877.29	61,910.71	121,257.61
<b>Total Budgeted Street Functions</b>	<b>\$440,873.77</b>	<b>\$416,055.44</b>	<b>\$458,290.65</b>

### **Vehicle Maintenance**

There is one mechanic who works out of the street department compound. His time is dedicated to the maintenance of all municipal vehicles, including the emergency services and fire equipment, street equipment, and senior transportation vans. He does preventive maintenance and some repair work in house. Larger jobs and more complex work are contracted to private vendors.

Staff was not able to provide the team with a precise breakdown on the cost of vehicle maintenance nor is the function included as an expenditure category in the city's budget. The

team calculated the identifiable cost of vehicle maintenance for 1997 to be \$101,044, based on a spreadsheet prepared by the CFO/treasurer detailing other expenses of \$35,884, the mechanic's position value of \$50,919 and overtime of \$14,241.

No records maintenance system is in place but the mechanic maintains manual records. It was the team's observation that although the mechanic does attempt to maintain records, the records were insufficient to provide an adequate tracking of vehicle repairs and preventative maintenance. The team spoke with the mechanic and supervisor regarding acquiring a fleet maintenance system. Both expressed a desire to obtain such a system, but noted that the street department is not equipped with a computer that would be able to handle such a system.

With the exception of the police department, the team could identify no routine preventative maintenance plan presently in place for any of the city's vehicles. The mechanic noted that lack of time is one of the primary reasons for weak maintenance tracking.

#### **Recommendation:**

**The team recommends that the city purchase a fleet maintenance software package and the necessary equipment to operate the system. There are many systems currently on the market that provide several benefits including fleet inventory, maintenance records per vehicle, parts inventory and mechanic productivity. In addition, the system can trigger reports of when a vehicle is due for maintenance, facilitating an effective preventative maintenance program. The team estimates the cost of the hardware to be approximately \$2,000 while the cost of the software could be \$2,500.**

**Value Added Expense: \$4,500**

The team performed a vehicle equivalent analysis to determine the number of hours it should take to maintain the vehicles owned by the municipality. The analysis is based on the industry benchmark whereby each vehicle is assigned an "equivalent" which is multiplied by 17.5 hours, the number of hours generally needed per year to maintain a standard passenger vehicle. For example, backhoes/loaders are assigned 4.0 equivalents therefore it should take about 70 hours per year to perform maintenance on that vehicle.

The vehicle list provided to the team indicates that the city owns 66 vehicles or a total of 173 vehicle equivalent units. Based on the vehicle list, the team determined that it should take approximately 3,028 hours per year to maintain the city's fleet of vehicles. The mechanic works 40-hour weeks. By contract he is entitled to two administrative leave days, 16 vacation days and 13 holidays per year, leaving him available 1,832 hours per year, without any sick days taken. Therefore, it would take approximately 1,196 more hours, or an additional 65% of an FTE to adequately maintain the city owned vehicles.

In addition, the LGBR report regarding the City of Salem school district recommends that the school district explore the feasibility of the city performing maintenance on the 13 vehicles owned by the district. Maintaining those vehicles would require 228 hours of maintenance, for a citywide total of 3,256 hours, or approximately 1.8 FTE. The team concurs with the recommendation that the city perform the maintenance. A fair rate should be established which covers the cost of the maintenance.

**Recommendation:**

**It is the team's observation that there needs to be a second mechanic dedicated to performing functions associated with the 3,256 hours required for vehicle maintenance. As discussed under the recommendation to enjoin the street functions and the water and sewer functions under one common department, the team recommends that one of the mechanic positions currently assigned to the water and sewer function be reassigned to performing functions associated with vehicle maintenance. The estimated cost for the second mechanic position is \$54,000, although there will be no additional cost to the city because it is a position transfer.**

The team noted several observations regarding the vehicle maintenance function. It appeared that aside from a lack of a tracking system, the mechanic was given very limited supervision. He was responsible for the scheduling of all the work, purchasing parts and supplies, and determining when overtime was needed, although he did get approval from the various departments for work performed and overtime worked.

A review of overtime records indicates that the mechanic worked roughly 388 hours of overtime during 1998 for additional pay of \$10,844. During 1997, the mechanic was paid \$14,241 for overtime. Overtime included scheduled work on other than street department vehicles that he could not get to during the day as well as "call ins." As discussed in the police section of this report, he can be called in for something as inconsequential as a flat tire.

**Recommendation:**

**Overtime hours should be significantly reduced with the addition of one mechanic to the street garage function. Additionally, the team recommends that the practice of calling the mechanic in on the off hours cease, unless life safety is at issue. Life safety issues would include a disabled ambulance. Between the two reduction strategies, the team conservatively estimates that the overtime would be reduced by at least 80%, or approximately \$8,675, based on 1998 figures.**

**Cost Savings: \$8,675**

The CFO/treasurer charges each department's OE for work done by the mechanic. The charge is based on hours worked times \$18.45, which is approximately his hourly salary. That rate does not include benefits, social security, Medicare, other types of insurance, utilities and use of equipment. The \$18.45 rate is applied whether the work was done on straight time or overtime. The CFO/treasurer tracks the charging of the hours by a spreadsheet based on information submitted by the street department.

There were 940 hours charged to departments other than street in 1997. The remainder of the costs associated with vehicle maintenance are included in the street department budget.

### **Recommendation:**

The team recommends that the city endeavor to consider all costs associated with vehicle maintenance prior to setting the hourly service charge. While the overall cost to the city would still be the same for city owned vehicles, department budgets would more accurately reflect true vehicle maintenance costs. The city would however, be able to bill the school district for the maintenance of the 13 vehicles. Should the city bill only \$25 per hour for the estimated 228 hours, the city could potentially generate a revenue enhancement of \$5,688. These costs could be used to offset the vehicle maintenance cost to the city. All part costs should be directly charged to the school district.

Revenue Enhancement: \$5,688

It was brought to the team's attention during the course of the review that the mechanic was performing work for city staff and various officials at the street garage during off-hours. There were also allegations that work is done on private vehicles at the sewer and water utility garage.

### **Recommendation:**

**The team strongly recommends that under no circumstances should there be work performed on private vehicles on municipal premises, using municipal equipment. Such activity raises serious concerns regarding the perception of city employees, insurance coverage, liability, use of municipal equipment, and use of parts purchased by the city.**

### **Street Sweeping**

The City of Salem is approximately 2.6 square miles. Staff was unable to provide a complete inventory of the roads within city limits, however, there was data available from the county that indicated there are 14.11 miles of city roads. To estimate the length of the state and county roads within city limits, the team drove those roads and clocked the miles. There are approximately 2.1 miles of state



roads and 6.9 miles of county roads in the city. It was the team's observation that the most heavily traveled roads in the city are state and county roads.

There is a published sweeping schedule which staff follows. The center of town, which is comprised of county and state roads, is swept every day except Saturday. All other streets are swept twice monthly. Curbside parking is prohibited during scheduled street sweeping times, and according to the supervisor, tickets are issued as appropriate.

During 1997, there was one full-time staff person assigned to street sweeping, and a second staff member served as backup and did the Sunday sweeping. Sweeping is done between 2:00 a.m. and 10:00 a.m., for which staff is paid a shift differential. In addition, overtime is

paid for sweeping on Sundays and for sweeping when needs necessitate staff work more than the standard eight-hour day. It should be noted that the city voluntarily sweeps state and county roads.

At the time of the review, the city had one 1989 street sweeper, although there was discussion of purchasing an additional machine and using the old machine as backup. According to the supervisor, the city occasionally borrows a sweeper from a neighboring municipality when the city's sweeper is out of commission. There did not appear to be a formal agreement or documentation regarding the use of the other municipality's equipment.

Discussions with the mechanic indicated that the sweeper required a great deal of maintenance and was frequently out of service. Also, often the sweeper operates with one broom out or in other stages of mechanical failure.

The position value for the street sweeper operator for 1997 was \$39,763 plus overtime of \$3,327 for a cost of approximately \$43,000. The team was unable to obtain information specifically regarding overtime costs for the Sunday sweeping, but based on the backup sweeper's salary and assuming sweeping is performed a minimum of 42 weeks per year, the team estimates the additional overtime cost to be at least \$6,367. The supervisor noted that the staff member who was sweeping in 1997 has been taken off of sweeping duty and the backup staff member has become the primary sweeper. He cited instances of damage being sustained to private property and the sweeper as the cause of the shift in personnel. The former street sweeper is now performing duties associated with a laborer position, with the exception of some limited operation of the sweeper. The position was not downgraded to reflect the change in responsibility.

Including salary and wages of \$49,367, average maintenance and repair costs (\$3,950), and the costs associated with purchasing street sweepers (conservatively estimated at \$15,000 each year for 10 years) the annual cost of street sweeping can be estimated to be approximately \$68,317 (excluding parking enforcement) or \$95.39 per mile swept. Under the current system, the city is paying approximately \$2,956 per mile per year or \$41,712 for municipal streets, \$6,208 for state highways and \$20,396 for county roads. The amount the city is paying for non-municipal street sweeping totals approximately \$26,604.

The team believes the cost of street sweeping operation is well above the excepted norm when compared to other municipalities. Generally, LGBR finds efficient sweeping operations to cost between \$36 and \$46 per mile swept. The relatively low amount of miles to be swept and the fact that there is a least one full-time staff member assigned to sweeping, are all factors in the cost being more than 200% of what is seen in other municipalities.

A reduction in the cost of street sweeping could be realized should the city decide to adjust the sweeping schedule to meet actual need. In touring the city, the review team found the residential and commercial roads to be fairly free of debris even just prior to the

scheduled sweeping. A more reasonable schedule would necessitate sweeping of residential streets

only four or five times a year, after major storms or heavy snow, and after leaf collection session. The business district area could be swept every other day or Monday, Wednesday and Friday.

On average and as a base for this report we will assume that street sweepers will travel at approximately 2.5 miles per hour. Excluding time needed to dump debris, fill water tanks, maintenance, and breaks, we can assume the machine is actually in service an average of six hours per day. If travelling at 2.5 miles per hour, the sweeper could cover 15 miles per shift, or all of the roads, in two eight hour periods.

There are several alternatives for the city to consider in regard to reducing the cost of street sweeping while continuing to ensure that the streets remain clean and free of debris.

### **Recommendation:**

The team recommends that the city, as a matter of policy, determine if it should be sweeping county roads and state highways at local taxpayer expense. It is the opinion of the team that the city should limit sweeping to only municipal streets. If the practice of sweeping non-city streets is eliminated the city would realize a combined cost saving and productivity enhancement of \$26,604 for the nine miles of non-city roads at \$2,956 per mile. Approximately 72% or \$19,244 would represent the productivity enhancement. Since Salem is the host city to county government the team feels that the city should contact the county road department and request the county regularly sweep those roads that are under its control. This recommendation applies to the state transportation department as well.

**Productivity Enhancement: \$19,244**  
**Cost Savings: \$7,360**

**A more viable option for the city would be to contract for the street sweeping service. If the city were able to secure a contract setting the cost at \$46 per mile, and assuming that the schedule is revised to have the streets swept five times per year, and the downtown area swept three times per week as discussed above, the cost to the city for the service would be approximately \$10,881. Should the current sweeping schedule be retained but at a cost of \$46 per mile, the cost would be \$32,950. Both of these estimates include the city continuing to sweep the county and state streets. The cost for the service if only the city streets were swept five times per year at a cost of \$46 per mile would be approximately \$3,245. The additional cost savings would be approximately \$38,468 (the current cost of \$68,317 minus the productivity enhancement/cost savings above and the estimated cost of \$3,245). The team suggests the city solicit bids from neighboring municipalities for the provision of this service.**

**Cost Savings: \$38,468**

## Trash Collection

The city contracts for collection of trash. Residents have the trash picked up at curbside, once per week, on Wednesdays. White goods and recyclables are collected separately by city staff. The contractor provides the staff and the equipment for accomplishing the pickup and the Salem County Utility Authority directly bills the city for tipping fees. The street supervisor is responsible for oversight of the contract and checking the trucks each week before they leave the streets and road facility. The contract accounts for approximately 2,000 residential units, which appears to approximate the actual number of units.

In order for trash to be picked up by the contractor, it must be in a securely closed trash bag and there must be a city trash disposal sticker clearly visible on the bag. The stickers can be purchased for one dollar each and are usable one time. Stickers can be purchased at the tax collectors office and are also available at the local grocery store. Each of the stickers is numbered for inventory control. The team toured the city on several garbage days to determine if the stickers were being used and found that without exception, bags at the curb were stickered.

The following table depicts the revenues and expenditures associated with the trash disposal function as they appeared in the city's budgets:

Year	Revenue	Costs					Expense
	Sticker Sales	Sanitary Landfill S&W	Sanitary Landfill OE (tipping fees mostly)	Garbage and Trash Collection S&W	Garbage and Trash Collection Contract Costs	Printing of Stickers	Net Operating Deficit
1995	\$99,852	\$46,631	\$121,258	\$6,000	\$77,150	\$2,932	(\$154,119)
1996	\$102,353	\$48,339	\$61,911	\$9,000	\$72,121	\$4,980	(\$93,998)
1997	\$94,708	\$48,848	\$88,877	\$137	\$72,356	\$4,980	(\$120,490)

Although there is a strict adherence to the sticker policy, it is apparent that the city is generally collecting about half of the cost of the trash collection service. In fact, the difference between actual cost and collections is even greater than what it appears in the above table because residents must purchase five stickers for the pick up of one bulk item which the street department staff picks up. Also, the street supervisor noted that there are instances when the contractor misses some trash which city staff has to collect.

The team compared the current cost of the operation to the cost should the city provide the service directly. The city could purchase a refurbished trash truck for around \$30,000. When amortized, the truck would cost the city approximately \$7,000 each year for five years. Assuming the city enters into an agreement or contract for street sweeping services, the street sweeper position could be reclassified as a truck driver for about the same salary, or approximately \$40,000. One of the existing laborers could be assigned to

the garbage detail. The cost to the city will also include maintenance of the truck, which should be approximately \$2,700, the industry standard cost. Should the city determine that it wants to continue to provide the convenience center service, the trash staff can be scheduled to work Tuesday through Saturday for additional overtime savings. The team estimates the cost to the city to be approximately \$51,700.

The team discussed the feasibility of the city providing the trash collection service with the street supervisor. The supervisor indicated that it could quite possibly be a benefit for the

city because staff is already providing limited assistance and there would be an additional staff member to assist with other street functions when not working on trash. Having an additional laborer available would assist in reducing the cost of overtime.

**Recommendation:**

**The team recommends that the city consider providing the trash service in-house. The estimated cost for the service would be approximately \$51,700. In total, the city could expect to save approximately \$20,793 over what the city paid the private contractor in 1997. The city would also have one staff member, the truck driver, who would be able to assist street staff with functions that are now generating a great deal of overtime.**

**Cost Savings: \$20,793**

The team is assuming all other costs associated with trash collection in the city will continue. During 1997, the city paid \$137,725 for costs associated with dumping trash at the landfill and \$4,980 for the cost of printing stickers. The city collected \$94,708 for the sale of the tickets. Assuming the city begins to collect trash in-house for a cost of \$51,700 and all other costs continue, the city can expect to spend about \$194,405. Therefore, the cost to the city over what can be expected to be collected is \$99,697.

**Recommendation:**

**As discussed under the Best Practices section of this report, use of trash stickers represents a true user fee. However, the team recommends that the city endeavor to cover the costs associated with trash collection through the sale of stickers. If the cost per sticker were doubled to two dollars per sticker, the city would collect \$189,416 or nearly the cost of the trash collection enterprise.**

**Revenue Enhancement: \$94,708**

**Convenience Trash Center**

The city has a convenience trash center located at the street department facility. Residents are allowed to deposit trash, metals, wood, recyclables and other materials not put out and/or collected during normal garbage collections. These materials are then picked up as needed by the private contractor which presently picks up the city's trash. The convenience center is open only on Saturdays. Published hours of operation are 8:00 a.m. until noon, however the supervisor noted that they are usually open 7:00 a.m. to 1:00 p.m. A review of a report detailing Saturday hours worked for 1998 appears to confirm the supervisor's notation, in that there is always at least one staff member there for the entire six hour period.

The team observed the convenience center operation on Saturday, September 26th. There were two city employees on duty and two residents came in to drop off items during the visit.

The part-time employee that worked at the convenience center during 1997 has since left. According to the supervisor, the full-time employees rotate Saturday hours to cover the convenience center. The team reviewed the street 1998 Saturday Hours Worked Report. Between the months of January and August, staff worked 781 hours of overtime on Saturdays. It is not indicated on the report which of the staff were covering the convenience center, but there was only one Saturday during which one employee worked, one that two employees worked, and the remaining Saturdays were staffed by generally three employees, but sometimes more.

In an effort to put a cost to the convenience center operation, the team used the average hourly rate for street employees during 1997, multiplied by 1.5% to account for the overtime rate, and assumed the center to be open 50 weeks of the year. The salary cost to the city would be \$5,850 if only one person works each Saturday. If two people, on the average, staffed the center, the cost would be \$11,700. That estimate does not include any of the cost of benefits, social security, Medicare, or pension contribution.

#### **Recommendation:**

**The team recommends that the city reconsider the need to provide the convenience center. All services available at the center are available to the residents, including curbside pickup of bulk items, every week of the year. Citizens should instead be encouraged to follow the guidelines that were established by the city for curbside pickup.**

**Cost Savings: \$11,700**

#### **Sick Leave/Vacation**

The City of Salem is a civil service community and is therefore subject to minimum standards for vacation and sick leave. In addition to these minimums, the city has contractual obligations as discussed under the Collective Bargaining Issues section of this report.

The team reviewed the physical leave records for street department staff maintained by the city clerk's office. For 1997 the eight full-time employees used a total of 53.5 sick days, which equates to an average of 6.7 days per employee. During 1996, the same eight employees used 30.5 days, or 3.81 each. The increase in number of days can be attributed to two employees, each of whom used an additional seven days of sick leave in 1997. The average rate however, is within benchmarks found in other LGBR reports. This data demonstrates a genuine effort on the city's part, and that of the street supervisor, to control absenteeism and probably indicates a degree of high morale and leadership.



The team observed the street department area on an unannounced date to review employees work habits as they arrived at work, and the time needed to clear the public works compound and be enroute to the job site, and found the employees performance satisfactory.

### **Recommendation:**

**We do not recommend any changes and feel the low number of sick days should be a positive item brought forward in our overall analysis of city government. On-site observations reveal timely work habits and efforts to stay on or at the work site until approximately 30 minutes prior to the end of the day.**

### **Water and Sewer**

Water and sewer services are provided by the city through the water and sewer department staffed by 13 employees, including a superintendent of water and a superintendent of sewer. Appendix D shows the current staffing configuration. The city has created a utility for the function to provide for separate budgeting and dedicated funds. The city's CFO/treasurer serves as the treasurer. Recommendations will follow placing the water and sewer function within a newly created department of public works, but retaining its integrity as a utility.

At the time of the review, the billing operations had been computerized while the city is still completing installation of more modern meters to increase efficiency. This process had caused a loss in rents during 1995 and 1996, but appeared to cause a spike in the collections in 1997.

The city has been very successful in generating revenue sufficient to operate the utility with a generous surplus. As the following table shows, the collections in 1996 exceeded operating costs by 25% and the 1997 surplus was 37% of total expenditures. A capsule view of revenue and operational expenditures, as displayed in the utility operating fund audit, follows:

<b><i>Revenues</i></b>	<b>1997</b>	<b>1996</b>
Fund Balance Utilized	\$577,418	\$150,121
Water and Sewer Rents	\$2,045,404	\$1,587,900
Miscellaneous	\$319,508	\$709,848
Unexpended Balance of Approp. Reserves	\$16,517	\$16,309
Adjustment of Prepaid Service Rents	\$8,234	
Canc. of Accrued Interest Notes		\$35,798
<b>Total</b>	<b>\$2,967,081</b>	<b>\$2,499,976</b>
<b><i>Expenditures</i></b>		
Budget Appropriations		

Operating	\$1,314,271	\$1,290,000
Capital Improvements	\$355,000	\$100,000
Debt Service	\$343,704	\$455,321
Statutory Expenditures	\$58,000	\$63,000
Surplus General Budget	\$100,000	\$100,000
<b>Total</b>	<b>\$2,170,975</b>	<b>\$1,998,321</b>
<b>Excess in Revenue</b>	<b>\$796,106</b>	<b>\$501,655</b>

The city transfers \$100,000 of the surplus funds to the general fund annually. Note also that during 1997, the rents increased 29% or \$457,504 over 1996. It appears based on discussions with the CFO/treasurer, funds for current capital projects have been budgeted but have not been actually spent suggesting that surplus could be used in other cost saving measures. It is estimated that rents will result in approximately \$2,041,927 in revenues for 1998.

## **Sewer Operations**

In a relatively new development over the last couple of years, Salem has been permitted to land apply the leachate, saving the city large amounts of processing costs. Local farmers are accepting the leachate at a cost to the city of only 4.5 cents per gallon while DEP studies long-term application processing.

## **Water Operations**

On the water side of the utility, Salem is somewhat unique. The city is supplied water via an aquifer and surface water at a ratio of 30% to 70% respectively. Although the city has two wells into the aquifer, only one of the wells is operational. The plant itself dates from 1968. The water aspect of the utility is responsible for all hydrants, valves, pumps, and some lines. In addition, it must maintain pumping capacity from a lake source located in Quinton. The surface water treatment requires greater monitoring by both the workforce and DEP as required by current regulation and must be attended via 24 hour electronic or manual overview. According to discussions with DEP, surface water requirements for treatment will be tightened in two years for moderate and large users and four years for all users with anticipation for stricter controls even further down the line. This combination of added monitoring costs, chemicals, blending, and testing will begin to affect Salem in the coming years.

In summary, LGBR has identified the following issues that could significantly drive up the cost of the water operation over the next several years:

- The surface water is obtained from an area outside of the city limits.
- Surface water treatment will become more expensive.
- Transporting the water from the surface water treatment center will become increasing costly.
- Monitoring of surface water will become more intense.
- The lake from which surface water is taken is in an agricultural setting and could potentially be affected by runoff from the agricultural uses.
- Current DEP regulations permit drilling of an additional well in the aquifer but according to the utility engineer, it is more cost effective to redrill the existing well that is currently not being used.
- And finally, LGBR believes the health and welfare of all citizens should be considered to determine infrastructure improvements beneficial to all residents of Salem City.

The team believes that the city should consider the practicality of continuing to get water from the surface water source, particularly in light of the cost concerns outlined above. There are currently discussions about the possibility of redrilling the second well. The cost of the redrilling is estimated between \$30,000 and \$250,000. Although it is not possible to predict with 100% accuracy the cost prior

to the actual drilling, it appeared that the cost would more likely be in the lower end of the estimated cost range based on a discussion LGBR had with a local drilling company.

LGBR believes that long term improvements could significantly reduce long term costs should surface treatment become extremely expensive or should the city be required to contract with major water companies. In addition, the team believes Salem could market its water capacity as well as its sewer capacity at the same time raising additional revenues and reducing the number of private individual wells in Salem County, increasing quality and reducing concerns over contaminants and individual testing. One might even argue that such a project could generate some economic revival in the area if it is well advertised and pursued.

A second alternative being discussed is to drill a new well. Drilling of a new well would require DEP approvals and it appears it would cost more than rehabilitating the existing well. Actual estimates received by Salem to drill a new well have been in the \$250,000 area.

Regardless of the method chosen by the city, it appears that the utility has sufficient funds in its fund balance to afford either project.

LGBR believes eliminating reliance on surface water in favor of heavier reliance on the aquifer could cut costs associated with the water division by elimination of the laboratory technician position (\$41,716) and possibly one operator position (\$47,031) with a combined position value of \$88,747. In addition, the city would gain a savings of an estimated \$2,000 annually for treatment supplies. Total savings would be estimated to be \$90,747. Furthermore, the city would secure a reliable, pure and constant source of water by increasing its reliance on ground water and less on surface water.

### **Recommendation:**

**Elimination of reliance on the surface water facility would allow for the elimination of two positions, as outlined above. The combined position values would be approximately \$88,747. The city would also save \$2,000 on the cost of chemicals.**

**Cost Savings: \$90,747**

### **Financial**

As noted, the utility carries a surplus each year that is quite substantial. After all of the utility's responsibilities were met, including a transfer of \$100,000 to the city general government, surplus funds of approximately \$800,000 remained, or 37% of the total annual expenditures for the utility. Generally, an acceptable and conservative reserve would be in the area of 15% or approximately \$325,650.

**Recommendation:**

**The team suggests the utility reassess its current rate structure. In establishing appropriate charges for use of the services, the utility should consider the cost of the enterprise and set the rates so that they are sufficient to cover those costs and still provide for an adequate and reasonable reserve. Further, the team recommends that the rate structure should be based on consumption for all types of users.**

### **Department of Public Works**

It was the team's observation throughout the review process that the street department and the water and sewer department worked in close proximity to each other geographically but generally, did not work together on common or related functions. For instance, the senior mechanic assigned to water and sewer and the mechanic assigned streets did not work in the same shop or share common tools.

During the course of the review, city staff and the city solicitor discussed the feasibility of combining the water and sewer department and the street department to make a department of public works. The team believes that combining the departments would address several of the issues that were brought to light during the review. By consolidating these two departments, enhanced supervision should result in a higher degree of efficiency and better production as well as less overtime. It is the team's understanding that the city has moved ahead with its intention to combine those departments.

### **Recommendation:**

**Establish a department of public works combining the street department with the water and sewer department maintaining a utility division with its own budget but combining administrative staff and using workers to address all areas as needs arise. A proposed table of organization is found in Appendix E.**

## **PURCHASING**

A review of purchasing records reflected that for the most part the city has been in compliance with requirements that are in effect by the New Jersey Department of Community Affairs, Division of Local Government Services. The city clerk and the CFO/treasurer work in together to ensure that the city utilizes the required encumbrance system. There were however several instances when payments were made without obtaining what is generally accepted as appropriate documentation. An example of this practice is detailed under the fire section of this report in reference to miscellaneous items. In addition, instances of confirming purchase orders were issued after the fact.

### **Recommendation:**

**The city is reminded that no disbursement should be made until and unless proper documentation is received and verified. No purchase should be made barring some form of serious emergency, without proper advance authorization.**

N.J.S.A 40A:11-1 et. seq., Local Public Contracts Law, requires that quotes be obtained for purchases between \$1,000 and \$12,300. For amounts above \$12,300 sealed bids must be obtained. For purchases under \$1,000 purchases may be made without seeking quotes. However, LGBR still recommends that informal quotes be obtained to ensure that taxpayers

are paying a competitive price for all goods or services. The city is also reminded that whenever combined purchases of a like kind of goods or services meet or exceed the amounts mentioned above the quote/bid requirement apply.

## **RECREATION**

There are three main components to city funded recreation enterprise: the public pool; recreation programs paid for by the city and provided by the Greater Salem Community Center; and city contributions to specific community events and organizations.

### **Municipal Pool**

As far as the team could determine, the city is the only municipality in the county to operate a public pool, although several municipalities have private pools within their boundaries. In addition, one municipality owns a pool and fitness center that is leased to a private interest to manage, operate and maintain.

Staff of the department of recreation, including the director, is predominantly responsible for the public pool operation. The pool, which has been in existence for approximately 26 years, is located outside of the central business district between the high school property and property owned by the city reserved for recreational purposes.

The director of recreation is a part-time position. The director is primarily responsible for the upkeep of the pool, daily supervision of the lifeguards, planning general activities, receiving membership fees and daily swimming fees, getting funds to the finance office for deposit, testing water quality, and setting rules and policies for pool use. According to the director, he generally works seven days a week during the months that the pool is in use and often those days are 12-hour days. Observations from the team confirm the director's noted work hours. By the director's own admission, he is not involved in any other aspects of recreation in the city and dedicates his time on city payroll to maintenance and operation of the pool facility.

The pool facility is comprised of two adult pools, a kiddie pool, shower/restroom/pool house facility, and basketball and tennis courts. The pool is fenced in and all must enter the pool facility through the pool house. In addition, according to the director, the police drive through the parking lot while on patrol. The entrance to the pool is not well marked and difficult to find. The grounds surrounding the fenced area are overrun. Water and sewer staff provides chlorine and tests the water while street staff maintains the property outside of the fenced area.

### **Recommendation:**



**The entrance to the pool area and adjacent land should be well marked and lighted so public safety personnel could easily locate it in the event of an emergency and to deter vandalism.**

**Value Added Expense: \$1,000**

The pools were recently rebuilt with \$81,402 from 1997 and 1998 bond ordinances. The director also built a wooden deck picnic area. The pools appear to be in excellent condition but the surrounding area, including the tennis and basketball courts, are overgrown and in disrepair. The swimming pool, building and equipment are currently insured for \$50,732.

There is a free swim between the hours of 10:00 a.m. and noon each day. Anyone is able to take advantage of the free swim period. The director noted that about 90% of those taking advantage of the free swim are from within the city and about 10% are not city residents.

The team observed that there were several children using the pool during the free swim period but there seemed to be very few people using the pool at other times during the weekdays. The director noted that he tries to keep the pool open one night a week and that there is usually several families using the pool during that time.

The team also observed on several occasions children being escorted from the community center to the pool at the beginning of the free swim period and then the same children walking back to the center at the end of the free swim period.

### **Fiscal Information**

During 1997, there were eight part-time lifeguards and the recreation director. The total salary and wages for 1997 was \$27,082 plus direct benefits of \$2,454 for a total value of \$29,536. In addition, the city paid \$2,994 for property and accident insurance for the facility. Maintenance, chemicals, and janitorial costs for 1997 were \$1,324, electricity \$3,890 and telephone \$278 making the total cost \$38,022. As mentioned, there is also limited maintenance done by other city staff.

Family memberships can be purchased for the season for \$65 for city residents and \$85 for non-residents. Day passes can also be obtained for \$2 for adults and \$1.50 for children. Children nine years or older can be left unattended but younger children must be escorted by an adult. The city collected \$5,048 during 1997 and \$4,397 during 1998 for the use of the pool.

In summary, it cost the city at least \$32,974 to have the pool open for about four months during 1997 taking into account collections for pool purposes. The pool operation adds approximately \$.03 to the local purpose tax rate.

The pool is a fairly expensive endeavor for the city when there appears to be very limited interest on behalf of the residents. The \$4,397 collected for the pool during 1998 would indicate that at best, only 60 or so families paid to utilize the facility during 1998.

Recommendation:

**The city should consider entering into a leasing agreement with a private interest much as Lower Alloways Creek Township is currently doing. The private interest maintains the facility, pays the cost of utilities, employs all staff, operates programs and provides for accessibility for the residents. The city is responsible for property and casualty insurance. The Lower Alloway Creek agreement has been in existence since October of 1994 and was renewed through September of 1999, and according to township staff, has been a successful endeavor overall. The team is calculating net savings based upon 1997 total expenditures and income but not including insurance costs in the savings.**

**Cost Savings: \$29,980**

#### **Programs Provided Through the Greater Salem Community Center**

The city contracts with the Greater Salem Community Center for provision of several recreational programs including adult and youth basketball; karate; track and field; tennis; golf; and indoor soccer. Those programs are to be provided to residents of the city at no charge.

The center is located on a parcel of land within walking distance from the city's other recreational facilities, the municipal swimming pool, the high school and the central business district. Because the center is a non-profit corporation, its land and improvements are exempt from property taxes.

By the terms of the contract, the center is to provide an evaluation of all programs no later than July 15 of each year and a report and analysis at the conclusion of each program. The team could find no evidence that reports had been submitted until the 1997-98 report, which is dated December 16, 1998. The city clerk was aware that the center had not been routinely submitting reports and had attempted to work with the center to obtain the reports. In an effort to assist the center, the date for submission of the report was moved from November 15, as originally specified in the contract, to July 15. Even the change of submittal date did not result in the timely submittal of reports.

The center bills the city in three equal payments. During 1997, the city paid the center \$12,470. Until the report was received by the city in December of 1998, there were no reports that provided a justification of the funds paid or that indicate the impact of the services. City council did however withhold the fall 1998 payment to the center pending receipt of the report, at which point, the December, 1998 report was received.

**Recommendation:**

**No further payment should be made to the center until such time as the last three annual reports are received by the city. At the time the reports are received, staff should review the numbers of residents served, calculate the cost of providing the service for each resident served, and evaluate the effectiveness of the programs to determine if the contract should be renewed or if other avenues should be sought, such as joining with the school district for the provision of recreation programs.**

The city owns property containing a football stadium next to the center. There are two fences on the property. The first surrounds the property and the second surrounds the field. The city street department maintains the property between the fences, which includes bleachers (home and visitor) and a concession building. The school district maintains the property inside the inner fence. Both the street department and the school district maintain the bleachers, replace boards as necessary and make other types of repairs. The field facility is primarily used for school operations and functions.

**Recommendation:**

**The city should transfer the property to the school district. In the agreement, the city can ensure that access is not denied organizations such as Midget Football or any other special activities that are currently held at the stadium. The 1997 average hourly salary of a laborer was \$15. That figure does not include any benefits, social security, Medicare or the cost of equipment use. According to the supervisor of the Street Department, staff spends approximately 75 hours maintaining the stadium facility each year. Relieving the laborers of this responsibility would free them and the equipment for other street department functions.**

**Productivity Enhancement: \$1,125**

**Other Expenses**

It has been the practice for the city to contribute funds to special community activities. Those contributions are reflected in the recreation department budget. Included for 1997 was \$1,000 for Salem Little League, \$500 for the Yuletide Tour, \$500 toward Memorial Day festivities, \$500 for Market Street Day, \$3,000 for Salem Oaks Football, and \$1,000 for the Christmas Parade.

**Recommendation:**

**It is recommended that all organizations which are the recipients of municipal funds provide the city with documentation detailing how the donations were utilized.**

## **TAX ASSESSMENTS**

### **Assessments**

The city underwent a revaluation in 1989 that went into effect in 1990. The current equalized ratio is 92.60%. The total assessed property in Salem during calendar year 1998 is \$117,650,200 and the 1997 assessed value was \$117,916,550. The 1998 local purpose tax was \$1.14, county tax was \$1.01, and school tax was \$1.54 making the general tax rate \$3.69. There are 2,029 line items on the books for the city. Almost 80% of the tax base is residential, 8% is commercial/industrial, 11% is vacant land and significantly less than 1% is farm. Data regarding the city's property tax rate trend from 1993 to 1997 is shown in Appendix F.

### **Staffing**

The assessor is a part-time staff member, employed by the city since 1962.

There did not appear to be any written guidelines that establish the city's expectations regarding office hours and administrative responsibilities for the assessor. The assessor estimated that he spends approximately eight to ten hours per week performing assessment functions for the city. He has no set office hours but can be contacted during the day by pager and appointments can be scheduled in advance. In a letter to the Salem County Board of Taxation from the assessor, he noted that his hours are during the normal workday and that he works generally two hours in the field or office daily. The team observed that the assessor generally used a clearly marked commercial vehicle to come into the city hall during the workweek so it was fairly easy to determine when he was in. It was the team's observations that the assessor's hours were sporadic and generally, he was not in any more than a few hours per week during normal working hours.

### **Recommendation:**

**Existing state regulations provide for considerable autonomy for the tax assessor. Given the dichotomy between the autonomy of the assessor, in regard to assessing matters, and the financial responsibility of the assessor to the city, it is recommended the council and the assessor meet in executive session on a regularly scheduled basis for the purpose of reviewing the assessed valuation of the city and the status of the major, pending appeals and applications for abatements that could have a significant impact on the budget and/or tax rate. The assessor should also provide a formal report monthly to the CFO/treasurer, to be shared with the governing body, including but not limited to, the same information that is compiled annually for the assessor's certification sheet and information regarding other activities accomplished during the month. Any other information requested by the governing body should be included as well.**

One full-time clerical support staff assists with assessment functions on an average of 10 hours per week, which equates to about 30% of her workweek. The same staff member is also responsible for processing water/sewer bills and for processing health care benefits. Included in her assessment functions is processing deeds, veterans and senior citizen assessment records, answering telephones, assisting taxpayers, taking applications for appeals, contacting the assessor when someone needs to speak with him, typing letters and reports, updating the house computer files and updating the separate tax collection files. While she reports to the assessor on assessment matters, she reports to the CFO/treasurer for tax collections and the city clerk for health benefits.

There is limited communication between her supervisors regarding best use of her time, particularly among the CFO/treasurer and assessor. All city staff interviewed regarding tax assessment functions indicated that the division of the clerk's time is of concern because assessment related activities are sporadic and unpredictable. At any time, the assessor may ask the clerk to stop what she was working on to perform an assessment-related function.

**Recommendation:**

**The current situation with the clerical support staff appears to cause a great deal of stress and fragmentation. The CFO/treasurer, assessor and city clerk should establish a reasonable schedule, dividing the clerk's time between tax assessment, revenue collection and health benefits. Before any determinations can be made, there needs to be conversation among the three supervisors and the staff member regarding time needed to complete the various tasks. Once determined, a schedule should be set with deviations only when agreed upon by all supervisors and the clerk.**

The team compared the staffing compliment to the staffing guidelines published by the International Association of Assessing Officers (IAAO). Those guidelines indicate that it should take an assessor between 10 to 20 hours per week and "other" staff between 3 to 20 hours per week to perform responsibilities associated with 2,029 line items. Further, it takes about one staff hour for every 68-115 tax line items. In other words, it should take between 18 to 30 total staff hours per week to accomplish what needs to be done for 2,029 line items.

**Recommendation:**

**Based on all estimates provided regarding the assessor's hours, it appears that the assessor is working the minimum acceptable number of hours if he works ten hours per week. The city council, in consultation with the assessor and tax collector, should review if the assessor's hours are meeting the needs of the city.**

The 1998 budget showed an expenditure of \$35,858 for salary and wages and \$3,263 for other expenses for the assessment function. In addition, there was \$2,743 expended for tax map revisions. The CFO/treasurer indicated however, that the salary and wages were not reflective of the cost of assessment and included the salary of a staff member who did not perform functions related to assessment. The team estimates total 1997 salary and wages to be about \$21,709 (assessor's salary of \$11,311 and the clerk's estimated cost of \$10,398) plus social security and Medicare of \$1,672.

The CFO/treasurer indicated that there have been some efforts in recent years to accurately reflect the cost of each operation in the budget. However, for a variety of reasons, the budget presentation has not yet reached the point of being truly reflective of actual costs of particular operations.

### **Recommendation:**

**The budget is an important management and planning tool. Accurately reflecting the cost of each operation is essential in determining efficiency. The team recommends the annual budget fairly and accurately reflect the cost of each operation. While expenditures within departments may appear to be very different from the prior year in the first year of implementation, the total expenditures for salary and wages should remain the same.**

### **Appeals**

The assessor indicated that he attempts to research and resolve appeals when he can, rather than having the appeals go before the county board of taxation, but the majority of the

appeals do go before the board. According to the CFO/treasurer, only the appeals with the greatest potential of affecting the tax rate are presented to the council for discussion. For larger appeals, the city enlists the service of an outside appraiser.

### **Abatements/Exemptions**

There are no abatements currently granted in the city, because the city serves as the county seat, where there is a significant amount of exempted line items. The assessor provided the team with copies of what has been submitted for the assessor's certification sheet, 1993 through 1998. According to the assessor's certification sheet, approximately 33% of the net property valuation, or 235 line items assessed at \$38,479,500 of the total \$117,650,200, is classified as exempt.

The assessor's office was unable to breakdown the amounts and percentages by public property type, however, using the tax duplicate and the assessor's certification sheet, the team was able to analyze the ownership of the exempt properties. The breakdown is as follows:

Total Property Valuation	\$117,650,200
Exempt Property	
Public Schools	\$5,262,650
Other Schools	\$40,800
Public Property	\$21,482,900
Church & Charitable	\$10,860,900
Cemetery & Graveyards	\$326,800
Other Exemptions	\$505,500
<b>Total Exemptions</b>	<b>\$38,479,550</b>

Public property constitutes 56% of the exempt assessed value. The city owned tax exempt properties account for 123 tax line items with a total assessment of \$16,044,300. There are 19 county tax line items assessed at \$3,714,500. City school properties account for six line items with a total assessment of \$5,179,050. The team noticed three properties also listed on the exempt list with the facility being named as "foreclosure" and the owners being private owners. Those three properties were assessed at a total of \$66,300. The South Jersey Port Authority owns six tax exempt properties assessed at \$1,483,100 and the post office property is assessed at \$303,600. Churches and other religious affiliations own 59 properties assessed at \$6,537,800. The Greater Salem Community Center, which is mentioned under the recreation section of this report, is assessed at \$3,554,500. The remainder of the exempt properties includes non-profits such as United Way, Habitat for Humanity, Salem Little League, Preservation Salem, and Salem Community College.

The team found inconsistencies while reviewing the tax duplicate of exempt properties and the tax map. Although the assessed value of exempt properties does not in itself affect the tax rate or the municipal budget, the inconsistencies raise concerns about the assessments on the taxable properties. For instance, the properties containing two of the city's firehouses are currently assessed as land only with no improvements. When the assessor was asked, he said that the appraisal firm that did the revaluation must have missed the firehouse that was built prior to 1989 and that he himself had missed updating the records on the other property. The assessor noted however, that the exempt properties get the least attention because they do not directly impact the tax rate.

#### **Recommendation:**

**Determining whether properties are assessed properly is outside of the scope of this review, however, the team strongly recommends that the city council, in cooperation with the assessor and the county board of taxation, review the tax assessments to gain a comfort level that all properties are accurately assessed and reported. In the future, the records should always be maintained as accurately as possible, including the exempt properties. The city may want to include this issue as a factor when determining if the assessor's hours are sufficient.**

Where latitude is provided, the assessor appears to be making judgments and setting policies that affects the city's tax base without the knowledge of the governing body. For instance, he has decided to not review assessments for buildings which have been abandoned, although the city must continue to pay school and county taxes on the full assessed amount of the property. In addition, the governing body is not aware of what responsibilities are not being completed such as updating exempt records. At a minimum, this type of information should be included in the monthly report discussed earlier.

#### **Records Management**

Currently, assessment records and tax records are stored in two separate, not compatible, computer programs. Once a year, the city updates the tax collection records based on changes to the assessment records. That is accomplished by the assessor's office staff transmitting records electronically to a third party and the third party then transmitting, via tape, the records to the tax collectors office. The lack of constant or routine interfacing leads to inconsistencies between the collection and assessment records. It also adds to the workload of the clerk, who often has to perform duplicative entries in the two independent systems.

#### **Recommendation:**

**While this system may have been effective in the past, the electronic capabilities now available render these types of activities obsolete. The city should use one system that uniformly tracks the data and allows city officials to have all updated records and reports at their fingertips. The CFO/treasurer contacted a representative of the software company that currently**



**provides all of the financial and tax collection systems for the city. The representative indicated that it would cost approximately \$8,500 to purchase the module that would host the assessment package. Adoption of that package would eliminate the need for double entries, provide staff with greater access to tax assessment records, interface with the existing financial and collections records, where appropriate, and permit the city to generate reports. Network ready computer equipment would need to be purchased for the assessment function at an estimated cost of \$1,500. Because of responsibilities relating to other functions, the clerk already has the necessary equipment and is using similar software. The assessor noted a concern that staff would have access to records that they did not have a need to view. However, current technology allows for a great deal of record security so the team anticipates that the software provider could easily address this concern.**

**One-time Value Added Expense: \$10,000**

## **TAX COLLECTIONS**

### **Staffing**

The CFO/treasurer also serves as tax collector. Staff of the finance office is responsible for the clerical processing of tax bills, water and sewer bills, and receiving payments at the cashier window. It is difficult to determine from payroll data which staff is responsible for the tax collection efforts, but the tax collector indicated that there are two staff performing tax collection functions equivalent to approximately one FTE. The amount of time the CFO/treasurer spends on tax collection functions varies throughout the year but averages about 50% of his time. Therefore, total staff time spent on tax collection is 1.5 FTE.

The city has 2,029 tax lines. An efficient workload ratio identified in previous LGBR reports is between 3,000 to 3,300 tax lines per staff person. Application of that ratio necessitates that the city dedicates the equivalent of 70% of one staff position to the collection of taxes.

### **Recommendation:**

**It appears that the staffing of the tax collection function is double the benchmark utilized by LGBR. In addition, it appears the CFO/treasurer, personally, spends a great deal of his time on tax collection functions. The CFO/treasurer may want to review the staffing compliment and job responsibilities to determine if adjustments can be made to allow him to perform more in a supervisory and decision making capacity.**

Collections

The collection rate for 1997 was 90.92%. As the following comparison indicates, the percentage of collections has fluctuated during the last four fiscal years between 85.83% in 1994 to 90.92% in 1997.

### Comparison of Tax Levies and Collections

Appendix G provides a visual of the total tax levy and collections for 1994-1997. The figures are as appeared in the city's annual audits. The following summarizes the collections:

Year	Tax Levy	Collections	% of Collections
1997	\$4,570,397	\$4,155,284	90.92%
1996	\$4,761,840	\$4,104,637	86.20%
1995	\$4,532,037	\$3,915,766	86.40%
1994	\$4,082,110	\$3,503,869	85.83%

As noted in previous LGBR reports, the State of New Jersey recognizes an average/acceptable current tax collection rate to be 95%. The city's 1997 collection rate of 90.92% is below that acceptable benchmark although the city is to be commended for increasing the collection rate over the last few years. Every one-percent of the collection rate is equal to \$45,704, or approximately \$.04 on the tax rate.

### Recommendation:

The city should endeavor to increase tax collections to the acceptable level of 95%. The additional 4.08% in collections would net the city \$186,472, based on the 1997 tax rate and collections. The team acknowledges that a considerable portion of the 4.08% could likely have been collected in the next calendar year and is therefore not an increase to the budget but rather a more expeditious collection of tax revenues. The earlier collection of those revenues would net the city greater interest earning potential because of the increased length of time the funds would be invested. For discussion purposes, the team conservatively estimates a revenue enhancement of 50% of the increased tax collections, or approximately \$93,236.

**Revenue Enhancement: \$93,236**

The percentage of delinquent taxes to the total tax levy for 1996 and 1997 were 16.27% and 12.27% respectively. Because of the enhanced tax collection efforts, the delinquency rate as a percentage of tax levy has decreased by 7.79% since 1994 as depicted below and further illuminated in Appendix H. The tax collector credits mailing of delinquency notices four times a year and computerizing tax collection operations for the notable improvement.

Year	Tax Title Liens	Delinquent Taxes	Delinquent Total	% Tax Levy
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1997	\$186,648	\$374,291	\$560,939	12.27%
1996	\$200,532	\$574,171	\$774,703	16.27%
1995	\$114,516	\$562,861	\$677,377	14.95%
1994	\$346,259	\$472,878	\$819,137	20.06%

### **Lien Processing**

**According to a lien account status report generated by the collector on September 24, 1998, there are a total of 136 liens; 89 for property taxes, 44 for water rental and 3 identified as miscellaneous. The total of the liens is \$294,884.**

**As discussed in the cash management system section of the report, the city hosts tax sales once a year, usually in June. To assist with cash flow, the collector is researching the feasibility of holding the sale earlier still or having accelerated tax sales.**

**The collector has begun an aggressive program to move ahead with foreclosures. Foreclosure on twenty properties with redemption values totaling \$249,894 has been initiated and, as of the drafting of this report, are being forwarded to the solicitor for action. The redemption value includes the amount of the certificates, all accrued tax liens, penalties and costs. The collector has also initiated action on thirty additional properties. He said the plan is to continue the aggressive approach and work through the list of liens.**

**The city is commended for moving ahead with the aggressive program and is encouraged to continue its efforts.**

The team found that tax collection records are hosted in a software system that is different from and not compatible with, the system utilized for tax assessment records. Recommendations regarding the standardization of the records are included in the tax assessment section of this report.

## **TRANSPORTATION**

The city participates in the County's Specialized Transportation Program. Under the program, the county acts as the main coordinator and conduit of funds assigned the county from the Senior Citizen and Disabled Resident Transportation Assistance Act (casino funds) and Title XIX of the Social Security Act (Medicaid). All but one municipality in the county has chosen to participate in the program. The county does not directly provide the transportation service.

The city and county have a contractual agreement that provides the guidelines for delivery of the service and establishes the city as a provider. By contract, the municipality is required to provide the transportation service each weekday between the hours of 8:30 a.m. and 4:30 p.m., as a minimum. Additional hours of operation are permitted.

The transportation is available to and from medical and nutrition centers, shopping, employment, education, and recreation sites and for other special transportation needs. To be eligible for transportation, a resident must qualify for transportation under the Senior Citizens and Disabled Resident Transportation Assistance Act and/or Title III of the Older Americans Act. The normal service area is the County of Salem for all but medical transportation and a fifty-mile radius from the City of Salem for medical transportation.

A resident can make an appointment for transportation by calling either the city transportation office or the County's Office on Aging. The contract stipulates that requests are to be made at least 48 hours in advance although staff will accommodate callers where possible.

In addition to the services provided by the city, the county provides transportation service to shopping areas from each municipality. Every Wednesday afternoon Salem residents can get transport to a grocery store and there are two opportunities per month to go to a chain drug store and a Wal-Mart in a neighboring municipality.

The city is currently assigned two county-purchased vehicles, a 1996 van and a 1998 pacer bus. The county provides the vehicles at no acquisition cost but requires the city maintain and fuel the vehicles and cover the vehicles, and their use, under the municipal insurance policies.

The driver records miles and trips at the time of drop off of each client. The following table summarizes the detail of the actual trips and miles as reported by transportation staff for 1997 and estimates 1998 totals based upon actual information that was available through November, 1998:

	<b>Miles</b>	<b>Dead Miles</b>	<b>Trips</b>	<b>Hours</b>	<b>Denials</b>	<b># of Clients</b>
Staff Reported 97 Totals	18,880.00	745.50	6,370.00	2,542.00	32.00	614.00
12 Month Average	1,573.33	62.13	530.83	211.83	2.66	51.16
Estimated 98 Totals	23,954.18	5,405.45	6,368.72	2,768.73	145.09	645.82
12 Month Average	1,996.18	450.45	530.73	230.73	12.09	53.82

Note that the numbers increased during 1998, particularly for “dead miles.” Dead miles are defined as travel when the vans are empty on their way to pick up a client or after dropping them off. Staff was instructed to report all of those miles in 1998, which they had not been doing prior. Also, staff noted that there was at least one extended illness during 1997, so only one vehicle was available.

During 1998, total miles driven have increased 27% while the number of trips remained the same. While no client can be counted more than once per month regardless of the number of times they were transported, the number of clients increased by 32. Denials, which are a result of a request for transport that cannot be accommodated because the vans are already committed or a driver is not available, also significantly increased.

### **Staffing/Financial**

Two full-time bus drivers staff the transportation office. The senior bus driver serves as the coordinator of the program for the city. Her responsibilities include supervising the office, coordinating schedules, interacting with municipal staff, completing reports, and driving the buses, as needed. The other omnibus operator primarily drives and has little responsibility for administrative functions. Both staff members receive health and pension benefits. Management oversight of the transportation function rests with the city clerk.

The two employees are provided office space, a telephone, and both buses are equipped with a cellular phone. Staff indicated that city council had approved cellular phone service because of the possibility of medical emergencies while clients are being transported and because the county reimburses for the full cost of the service.

**The senior driver spends the majority of her time completing reports and scheduling transports. In between transports, the driver waits in the office for the next appointment. On many occasions during the review, it appeared staff was idle. The team rode a route. The vans seem generally well maintained but were dirty, inside and out.**

**Recommendation:**

**Staff should be encouraged to keep the vans in a clean condition. Tidying, sweeping, and so forth, can be accomplished during downtime when transports are not being made.**

**The team attempted to review the bills for both the desk phones and the cellular phones but the city was unable to produce all of the 1997 records. The team did review amounts paid for 1998 and determined, based on the monthly averages, that the city will pay approximately \$840 for cellular phone service and \$703 for telephone service for 1998. The team was unable to review the detail of the bills to determine whether personnel calls were being made but the amounts seemed excessive for what should be predominantly local and emergency calls being made, although the chief clerk in the county's office on aging indicated that the amounts would be expected.**

**Recommendation:**

**Telephones are provided employees for the express purpose of work-related telephone needs. Records should be kept of all personal phone calls and the employee should be required to reimburse the city for all personal calls each month. Assuming a conservative estimate that 20% of the toll calls were for personal purposes, the city would be reimbursed \$140 by staff in only the transportation department.**

**The detailed bills relating to the above issue should be on file and available for review in the office of the CFO/treasurer.**

**Cost Savings: \$140**

The city receives two types of reimbursements from the county for the transportation service. The team found it very difficult to reconcile the CFO/treasurer records with those provided by the senior driver. According to the CFO/treasurer, for 1997 the city was reimbursed a total of \$34,643: \$7,436 for Medicaid patients and an additional \$27,207 based on expenses. A report provided by the senior driver indicated that \$28,413 was reimbursed.

The Medicaid reimbursement rate for 1997 and 1998 was \$1.62 per mile and the county reimbursement is based on expenses submitted by the municipality. According to the chief clerk at the county's office on aging, the reimbursements are based on verifiable expenses incurred in the delivery of the transportation service. Each participating municipality is provided with projected figures prior to initiation of each budget cycle to assist the municipalities in budgeting purposes only. All verifiable expenses are eligible for reimbursement and there are no caps on the amounts reimbursed, therefore the county should pay the total cost of the services.

All tracking of the city's transportation operation is done manually making it very difficult to determine the cost of providing the service and just how closely the reimbursements meet these costs. The following is the team's estimation of the costs associated with the service and the cost to the city for the service.

<b>Revenues – 1997</b>	
Reimbursement	27,207.44
Medicaid	7,435.61
Total Non-City Budget Funding Source	<u>\$34,640.05</u>
<b>Costs – 1997</b>	
Salary and Wages	\$32,959.43
Direct Benefits	13,939.29
Insurance	4,826.00
Vehicle Maintenance (salary and wages est. at 52.5 hours @ \$24.48 per hour)	1,285.20
Vehicle Maintenance (parts and service)	1,048.33
Fuel (est. 1,259 gallons at .7530)	2,843.33
Telephones	666.55
Cellular Phones (estimated 1998 cost)	840.00
Other Expenses (water, printing, education)	<u>586.61</u>
Total Costs *	<u>\$58,994.74</u>

**Estimated Cost from City Tax Revenues    \$24,354.69**

\*Reimbursements for 1997 represented approximately 59% of the cost of the operation.

Requests for reimbursements are submitted to the county monthly. The requests are prepared by the senior driver and submitted directly to the county office on aging. Neither the city clerk nor the CFO/treasurer reviews the requests, is instrumental in calculating the monthly cost of operation, or is copied on the submittals. Staff in the accounting office provides salary and wage information. The chief clerk at the office of aging noted that signatures of city staff other than the program supervisor were intentionally not included as part of the monthly submittal because of the belief that the additional approvals would slow down the submittal process.

#### **Recommendation:**

The team feels strongly that the monthly reports should be prepared based on all associated expenses of the operation, in light of the potential of the county providing full reimbursement of verifiable expenses. The senior driver needs to be provided with the full information necessary to complete the report and the CFO/Treasurer should review the request and approve it prior to submittal to the county. A copy of the request should also be provided to the city clerk for management and budgetary purposes. The senior driver only has a few days to prepare the report after the close of the month, therefore, the process established for input and review will need to be expeditious.

**Cost Savings: \$24,355**



### III. COLLECTIVE BARGAINING ISSUES

The team reviewed the two collective bargaining unit agreements and general personnel policies of the city. The team observed that the agreements have generous incentive policies. Provisions and practices that seem to run counter to good business practices and excessive employee entitlement are discussed in this section.

Control over personnel issues is a key element in cost containment for local government. The city payroll consists of approximately 108 employees and \$2,500,000 in gross salary expenditures. The size of these appropriations and the labor-intensive nature of municipal services warrant special attention from the governing body and administration.

Many of the recommendations contained in this section will require negotiated changes to collective bargaining agreements. The negotiation process is a long and arduous one. The city must firmly commit to removing costly provisions from the contracts in order to maximize effective controls over personnel costs.

There are two contracted bargaining units in Salem. The “Blue Collar Workers Association” contract covers the period of January 1, 1998 through December 31, 2000. At the time of our review, the Salem Police Officer’s Association contract had expired and was under negotiation. A review of the contracts revealed the following:

<b>Benefit</b>	<b>Salem Police</b>	<b>Blue Collar Workers</b>
Vacation	13 – 26 days	13 – 26 days
Sick	15 days	15 days
Longevity	3.5 to 6% --- 4 to 25 years	3.6 to 6% ---- 4 to 25 years
Retirement (sick buyout)	\$12,000	\$8,000 to \$10,000
% Annual Raise	3-3.5%	3-3.5%
School Reimbursement	\$15 credit (upon completion)	N/A
Clothing/Shoes	\$75 clothes	\$100 shoes
Telephone Reimburse	Basic Service	None
Detective \$	\$300 to \$500	N/A
Personal Leave/Death	6 days (total)	6 days (total)
Court Time	1.5 times hourly salary	N/A
Shift Differential	\$.50 to \$.55 per hour	\$.45 to \$.50 per hour
Overtime	1.5 to 2.5 times hourly rate	Standard

Holidays	13	14
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The team identified some common notable provisions among the two contracts.

The application of the longevity provision is concerning. In addition to regular salary increases, city employees begin receiving longevity pay after four years of employment. The amount of longevity is based on a percentage of the base salary ranging from three and one

half percent at four years to six percent at 25 years. While these longevity increases are less than seen in some other municipalities, the contracted increases in salary coupled with periodic longevity increases, produced generous percentage raises for city employees.

The city currently pays \$67,729 in longevity payments. There is no proven correlation between longevity pay and employee performance. The team believes that simply having a long tenure of employment with the city is not sufficient reason to add a six percent supplement to an employee's salary.

**Recommendation:**

**The city is strongly encouraged to eliminate the longevity benefit for current and new employees. If the city is unable to eliminate longevity for present employees, it should negotiate to have all longevity increases based on the same flat amount, such as three percent for all eligible employees, regardless of years of service. Long-term savings should be significant as the existing workforce retires and is replaced by employees without longevity benefit. Another option is to “Grandfather” longevity for existing employees and to eliminate or significantly scale back longevity for new employees.**

**Potential Cost Savings: \$67,729**

Both contracts provide overtime provisions. However, it appears that as discussed in the police department and street department sections of this report, that there were no stringent controls over the application of the overtime provisions.

**Recommendation:**

**The team recommends, as discussed in other sections of this report, that city management staff carefully monitors the use of overtime to ensure that it is being utilized as intended in the contracts and measure the effect of that use on the municipal budget.**

The contracts provide a total of six days per year for bereavement and personal time. Based on state policy, the team finds the allowance of six days to be excessive and believes that the bereavement leave should be included in the number of sick days currently provided by contract. The personal time portion of the bereavement/personal leave should be limited to a maximum of three days. Possible savings based on average salaries in the police department equated to \$11,404 and the blue-collar worker sector to \$15,681.

**Recommendation:**

**The team recommends that personal leave days and bereavement leave days be addressed separately in the contracts. The city could negotiate to limit the personal leave to three days and fold bereavement leave into sick time allowances. The cost of providing the three additional days for personnel/bereavement leave equates to salary**

**costs of approximately \$27,085 as discussed above. However, because most of those days are not actually used in a year, the team conservatively estimates that only five percent of that amount could be realized as a productivity enhancement.**

**Potential Productivity Enhancement: \$1,354**

The team found some issues that the city may want to address in future negotiations with police.

It appears that salary levels for employees covered by the police contract approximate salaries provided in smaller towns in Salem, Cumberland, and lower Gloucester County but were below cities of comparable density and crime rates north of Salem. The police chief indicated that he felt the relatively low salaries has created low morale and attempts have been made through contract negotiations to get additional sources of income. The team found some contract stipulations that may support the chief's observation regarding additional sources of income that should be reviewed for possible cost savings.

Police officers receive reimbursement for telephone service at their home stemming from a long-ago era when telephone service was not common in homes. The city may want to revisit this telephone allowance during future negotiations.

**Recommendation:**

**Elimination of the telephone allowance provision would result in a saving of \$2,706 based on 1997 reimbursements.**

**Potential Cost Savings: \$2,706**

The current police contract provides for new uniforms and cleaning costs. The team has found that generally current police contracts in other municipalities do not provide cleaning allowances but do provide for the costs of clothing purchases. Further, uniforms are now made of durable materials that can be washed by machine and need very little pressing or dry-cleaning. Cleaning of uniforms is estimated to have cost the city \$2,447 during 1997.

**Recommendation:**

**Based on examples from other municipalities and the new materials now used in making uniforms, the city may want to place the fiscal responsibility for the cleaning of uniforms on the individual officers. The city would need to address this issue in the next round of negotiations.**

**Potential Cost Savings: \$2,447**

According to the police contract, shift differentials are paid for two of the three shifts. In general, the team believes the provision of shift differentials to be an antiquated practice still seen in very few municipalities. Further, it is possible that this benefit is still being provided

in Salem as a way to compensate officers. The shift differential resulted in a cost to the police budget of \$52,505 for 1997. There are similar provisions in the blue-collar workers contract, but there the cost for the provision is marginal.

Recommendation:

**The team recommends that the differential rates provided in both contracts be eliminated. While the savings for the blue-collar workers would be marginal, the team estimates the savings for the police to be \$52,505.**

**Potential Cost Savings: \$52,505**

#### **IV. SHARED SERVICES**

Tremendous potential for cost savings and operational efficiencies exist through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery, in an effort to highlight shared services already in place and opportunities for their implementation.

Salem has sought cost saving opportunities, with some success, through shared services with the school district and the county. Some areas where shared services have been successful are:

- Surface water for the water and sewer utility comes from a lake in Quinton.
- Salem police assist the county prosecutor's office with drug enforcement activities.
- The library is made available to county residents.
- Dispatch is done from the county 9-1-1 center for fire and EMS.
- Municipal court sessions are held in the old county courthouse.
- City recreation facilities are made readily available for school district activities.
- There are informal mutual aid agreements for fire and EMS with surrounding municipalities.
- The Greater Salem Community Center provides specific recreation programs.

The city is encouraged to continue to pursue ways to share services. Additional suggestions provided by the team includes:

- Police dispatch through the county 9-1-1 center.
- Marine emergency services from the coast guard as well as other law enforcement agencies.
- Library services for county residents.
- School vehicle maintenance being done by city staff.
- Share storage space with the school district.
- Interlocal service agreement for construction official services.

In addition to savings to be realized by joining services, there are two new state programs designed to encourage and reward local governmental units and their taxpayers for regionalizing, sharing and joining services with other units of local government. The Efficiency Development Incentive Act (REDI) provides funds to local units to study the feasibility of joining services. The second program, REAP (Regional Efficiency Assistance Program), provides direct tax relief for any local government regional service



agreement signed after July 1, 1997. These programs are administered by the New Jersey Department of Community Affairs (DCA), Division of Local Government Services. The city is encouraged to contact DCA for additional information.

## V. STATUTORY AND REGULATORY REFORM

The fifth and final section of the report, Statutory and Regulatory Reform, attempts to identify those areas where existing state regulations or statutory mandates are brought to the attention of the LBGR review team by local officials, which appear to have an adverse effect on efficient and cost effective local operations. It is common for local officials to attribute high costs and increased taxes to “state mandates.” Each review team is then charged with reporting those areas in this section of the report. The finds summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

A portion of this report concentrated on the “9-1-1” operation in Salem County. This change, as suggested in the report, would permit the County 9-1-1 Coordinator to absorb the dispatch function now undertaken by the City of Salem. Under current Department of Personnel rules, transfers between municipalities and jurisdictions such as counties are not routinely permitted but must be addressed via “rule relaxation” or special action by the commissioner. During discussions, the city noted a concern that the county would not be permitted to automatically hire the Salem dispatchers and expressed concern about potential layoffs.

This civil service dilemma is a result of many issues and public safety concerns but in the long run costs jurisdictions in time and money seeking qualified candidates; it could even result in higher testing costs to the department of personnel. It is understood that residency issues, collective bargaining agreements, and regulation affect this problem, and should be addressed.

### **Recommendation:**

The rules, which prohibit public safety personnel from routinely transferring to other jurisdictions, need to be modified to allow for the transfer of municipal employees into a county position, particularly in circumstances when the county is absorbing a function that is performed by a municipality. This effort could reduce the cost of training, medical evaluations, psychological reviews for the county while negating the effect of the potential layoffs for the municipality.

**In the police section of this report, the team discusses the possibility of hiring Class I and II officers to assist in certain functions performed by the police department. In fact, as noted in the report, the city has moved ahead with plans to hire the special officers. Current statutes do not permit the assimilation of special officers into existing vacant police officer positions. Rather all civil service communities are required to apply open competitive testing procedures as required under N.J.S.A. 11A. The chief noted that the city could potentially have interest in hiring some of those special officers.**

**Recommendation:**

A mechanism should be put into place either by legislation or regulation to enable civil service jurisdictions to be able to offer the vacant position(s) to staff currently serving as Class I and II special officers, provided they meet all other qualifications as established by applicable state statute and regulations.

## **LOCAL GOVERNMENT BUDGET REVIEW ACKNOWLEDGMENTS**

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